

Governance for Economic Sustainabilityⁱ

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The challenge of sustainability is to meet the needs of the present without diminishing opportunities for the future. This is paraphrased from a 1987 United Nations Report, *Our Common Future*,¹ and is widely accepted among those who take the challenge of sustainability seriously. Equity both within and among generations is an essential characteristic of a sustainable economy. Effective governance is an essential means of ensuring social and economic equity. Government is also an essential means of ensuring social and economic autonomy. The needs of individuals for autonomy or liberty must be balanced with the needs within societies for equity or justice. While both are necessary, the common good of society must be given priority over the economic good of individuals. Effective governance is about getting the priorities right.

The relevance of sustainability as a public issue is largely contingent upon an ecological view of the world and the relationship of human societies to the earth, or more accurately, as parts of it. Human societies are subsets of the natural world and economies are subsets or parts of human societies. There is no place to get anything of economic value or social value other than from nature by way of society. There is no place to dispose of wastes from economic activity other than in nature by way of society. Every economic decision or action affects the sustainability of both society and nature and every aspect of human society affects the sustainability of nature.

Furthermore, the relationships among nature, society, and the economy are hierarchal. Nature represents a higher organizational level or plane than society, and society represents a higher level of organization than the economy. This ordinal ranking or hierarchy is derived from a distinction between purpose and possibilities. The purposes of lower levels of organization are always derived from higher levels and the possibilities of higher levels are always dependent on lower levels of organization. Purpose gives meaning to possibilities, and possibilities allow purpose to evolve into reality.

The purpose of a sustainable economy is to sustain a healthy society capable of sustaining a healthy natural ecosystem. Healthy natural ecosystems and societies are capable of sustaining healthy, productive economies – indefinitely into the future. Contrary to what might be concluded from today's public priorities, the purpose of nature is not to support an ever-expanding global society and human society is not meant to support an ever-growing global economy. As the economy has continued to extract and exploit nature and society in an effort to maintain economic growth, the health of the economy's only sources of productivity have been

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seriously degraded. Today's lingering global economic malaise reflects an inversion of the hierarchy of sustainability: We have given the economy priority over society and nature.

Equally important, higher levels within nested hierarchies define the principles or laws by which all lower levels function, for example, the well-known laws of gravity and thermodynamics. As with other laws of nature, laws of gravity and entropy can be ignored or denied but their consequences cannot be avoided. Living systems, including societies and economies, function according to the basic laws or principles of natural ecosystems, including holism, diversity, and interdependence. Perhaps less obvious are the natural principles of human relationships, which include trust, kindness, and courage. The most basic principles of economics are natural principles of individual human behavior, including scarcity, efficiency, and sovereignty.

Since economies and societies are defined and created by human communities, they may be required to function according to additional values defined by and for the specific communities that create them. Such values may be periodically reexamined, renegotiated, and redefined. The principles of nature, however, are unchanging and nonnegotiable. Governance for sustainability at all levels – local, state, national, international -- are rooted in fundamental principles essential for sustainability. The role of government with respect to the economy is commonly defined as “internalizing externalities” or assigning dollar-and-cent values to the ecological and social impacts of actions motivated or incentivized by economic values. Economists refer to this as “getting the prices right,” which is necessary but is not sufficient to ensure sustainability. Governments also have to “get the principles right.”

A people must give priority to the basic principles or laws of nature if they are to sustain their society and economy. The ethical, social, and individual hierarchy of human intentionality must be aligned with the ecological, social, and economic hierarchy of sustainability. Governments provide the means by which communities and societies can carry out their ethical and social intentions to protect the “common good and good of the commons” while protecting the economic and civil rights or the good of individuals.

Effective governance for sustainability requires an understanding of and respect for the fundamental differences among economic, social, and ethical values. An *economic* relationship is individual, impersonal, and instrumental. Economic value is *individual* in that it accrues to individuals and not to families, communities, or societies as wholes. An economy is nothing more or less than a collection of individual economic enterprises and organizations. An economic relationship is *instrumental* because it is a means to a further end, specifically, to gaining something of greater economic value. Finally, an economic relationship is *impersonal* because if we can't buy, sell, or trade something, it has no economic value.

Social relationships also are *instrumental* in that they depend on reciprocity or expectations of receiving something in return. Unlike economic relationships, the expectations from social relationships may not be specific with respect to what, when, or where. Regardless, if we expect to have a friend we must be a friend. The value of social relationships is not economic, because social relationships are inherently *personal* in nature. A social relationship with one person is fundamentally different from a social relationship with another person, even if both are friends,

family members, or neighbors. Social relationships cannot be exchanged or traded to another person. Thus, social value is also *interpersonal* rather than purely individual.

Perhaps most important for sustainability, social values naturally evolve into ethical values. This aspect of social values is essential for sustainability. Ethic values are a particular culture's interpretation of morality, the basic principles or laws of nature that govern all ecological, social, and economic relationships. A societal or community ethic is a code of conduct that applies to all people in all situations. A cultural ethic evolves over time from a society's collective experiences gained through personal social relationships. As social relationships become less personal, people begin to understand the social value they experience as individuals arise not just from their personal connections but from all of their interconnectedness within their families, communities, societies, and humanity as a whole. This is the process by which *personal* social values evolve to *impersonal* ethical values.

Ethical relationships are *communal*, *non-instrumental*, and *impersonal*. Actions that are purely ethical in nature are *not an instrument* or means of acquiring some further ends. The ethical act is its own reward; the benefit is immediate. Ethical relationships produce nothing of economic value to exchanged or traded to anyone else. Ethical relationships are clearly non-economic. Unlike social relationships, purely ethical relationships show no preference for specific individuals or persons – they are *not personally* discriminatory. Ethical relationships are *communal* in that what is ethically right or wrong in a relationship with one person is right or wrong in relationships other people, including all other people of both present and future generations.

Thus, the social and ethical values that sustain positive relationships within families, communities, and societies evolve into ethical commitments of responsibility, equity, and justice for those of future generations. Since ethical values are impersonal, they can also be extended to relationships with non-persons – to earth, air, water, forests, lakes, streams, rocks, or other species. Stewardship of nature is an ethic that evolves out of direct human relationships with nature. Social values of trust, kindness, and courage evolve into commitments to treat nature in ways that are honest, fair, responsible, respectful, and compassionate toward those of future generations. Concerns for the whole of society and the future of humanity are neither economic nor social in nature; they are fundamentally ethical.

Economies guided solely or even primarily by economic incentives are not sustainable, regardless of claims of economists to the contrary. There is no economic incentive to do anything for the sole benefit of society in general and certainly not for the benefit of societies of future generations. If all investment decisions are preconditioned on receiving something of economic value in return, the investments necessary to protect, renew, and regenerate the natural and human resources essential for economic sustainability will not be made. The ecological health and productivity of nature and society can be sustained only by people expressing their social and ethical values through their individual and collective choices and actions. The facilitation of these collective choices is an essential challenge of governance for sustainability.

In general, governments serve the same functions for communities and societies that cultures serve for families and friendships. Cultures place restrictions on and provide incentives for

individual behaviors that have proven over time to be necessary for the common good of families, friendships, and communities. Cultures evolve to reflect the kinds of relationships they have found necessary to survive and thrive in particular geographic locations or regions. Thus, cultures define acceptable ecological relationships between people and nature as well as social relationships among people. Within families, friendships, and small cohesive communities, cultural standards of behavior are defined and enforced through various social pressures and sanctions. Within larger and less cohesive communities and societies, cultural standards must be defined, communicated, and enforced through government.

Regardless of the particular culture, the fundamental responsibility of government is to ensure both economic and social autonomy and equity. Social equity is fundamentally different from economic equity. An economy is indifferent to the culture within which it exists because markets place no economic value on relationships that are purely social or ethical in nature. Economic equity requires only that people be rewarded in relation to their contributions of value to the economy. By their very nature of being human, different people have different aptitudes and abilities and thus have different capacities to produce things of economic value. The social and ethical value of a person will be always different from his or her economic value, and thus social equity will be different from economic equity.

Governments could ensure economic autonomy and equity by maintaining the conditions of economically competitive markets: Large numbers of buyers and sellers, freedom of entry and exit, accurate information, and consumer sovereignty. Buyers and sellers in such markets would have the autonomy to act independently, as long as their behavior meets the minimum standards established by their society. Economic equity requires that people be rewarded fairly in relation to their economic contribution to society. Economic equity depends on the *allocative* efficiency of markets, meaning the ability of markets to reflect the economic value of natural and human resources. Allocative efficiency also depends on the economic competitiveness of markets. The essential function of governance in ensuring economic autonomy and equity is to maintain economically competitive markets, which governments have utterly failed to do in the U.S. or anywhere else in the *developed* world.

Furthermore, the greater part of the total value of human relationships is not economic but instead is purely social and ethical value. Philosophers throughout human history, including Adam Smith, have generally agreed: the most important benefits of relationships arise from fulfillment of the basic needs of humans to be accepted, respected, and esteemed by people who they in turn accept, respect, and esteem. People must have the freedom or autonomy to relate to other people of their choice to fulfill this basic human need. A common sense of social equity, fairness, or justice evolves out of such relationships, thus defining standards of behavior that are accepted, respected, and esteemed in a given society. Social autonomy and equity are essential prerequisites or necessary conditions for sustaining the integrity of societies within which sustainable economies must function.

Governments cannot dictate human values and thus cannot ensure that societies will realize the full potential benefits of positive social relationships. However, the absence of social autonomy and equity precludes the possibility of the social benefits essential for sustainability. Sustainability depends not just on “getting the prices right” but also on “getting the principles

right,” meaning ecological and social, as well as economic principles. The possibility of social and ethical rewards and the certainty of societal and government penalties motivate individuals to join in the *non-economic* decisions necessary to sustain the productivity of nature and society. That being said, such regulations and restraints must be supported by a societal consensus. Governments can only ensure that “the many” who would voluntarily abide by the laws of nature, including human nature, don't have to compete with “the few” who would not.

Governments cannot ensure sustainability, but governments can provide the social and ecological environment within which autonomous individuals can choose to work individually and collectively to ensure sustainability. Governments cannot endow people with the courage to be trustworthy and kind but can ensure the social autonomy and the institutional means necessary for people to ensure social equity and justice for all. Governments cannot endow people with an ecological conscience but can allow people to reflect the ecological principles of holism, diversity, and interdependence in establishing laws and administering regulations. The economy must not be allowed to degrade the integrity or deplete the productivity of either society or nature. Only people working together through government can restrain economic extraction and exploitation and ensure economic sustainability.

¹ [Our Common Future, Report of the World Commission on Environment and Development](#), World Commission on Environment and Development, 1987. Published as Annex to General Assembly document A/42/427, [Development and International Co-operation: Environment](#) August 2, 1987. Retrieved, 2007.11.14