

The Sustainability Mindset

Michael Spence



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MILAN – Markets and capitalist incentives have great strengths in promoting economic efficiency, growth, and innovation. And, as Ben Friedman of Harvard University argued persuasively in his 2006 book *The Moral Consequences of Growth*, economic growth is good for open and democratic societies. But markets and capitalist incentives have clear weaknesses in ensuring stability, equity, and sustainability, which can adversely affect political and social cohesion.



Obviously, abandoning market-capitalist systems, and implicitly growth, is not really an option. Collectively, we have little choice but to try to adapt the system to changing technological and global conditions in order to achieve stability, equity (in terms of opportunity and outcomes alike), and sustainability. Of these three imperatives, sustainability may be the most complex and challenging.

For many people, sustainability is associated with finite natural resources and the environment. The global economy will probably triple in size in the next quarter-century, largely owing to growth in developing countries as they catch up to developed-country incomes and adopt similar consumption patterns. Thus, there is a well-founded fear that the planet's natural resources (broadly defined) and recuperative capacities will not withstand the pressure.

To some, this logic leads to the conclusion that growth is the problem, and that less growth is the solution. But, in developing countries, where only sustained growth can lift people out of poverty, limiting it cannot be the answer. The alternative is to change the growth model in order to lighten the impact of higher levels of economic activity on natural resources and the environment.

But there is no existing alternative to which we can all switch. Changing the growth model means inventing a new one over time, step-by-step, from complementary parts. The two key ingredients seem to be education and values. Everyone, not just policymakers, needs to understand the consequences of our individual and collective choices. We need to be aware for example, that population growth and rising consumption levels have intergenerational consequences, and that how we conduct ourselves will affect the lifestyles and opportunities of our children and grandchildren.

Thus far, the quality of our choices has been unimpressive, reflecting little sensitivity to sustainability and the impact of our choices on future generations. As a result, many developed countries have built up dangerously large public debts and even larger non-debt liabilities, owing to unsustainable growth patterns.

Most of us, I believe, do not knowingly make choices that adversely affect future generations. So perhaps incomplete knowledge of the consequences of our choices is responsible. Moreover, an unfunded liability path, once taken, is hard to leave, because at the point of departure, some generation is paying for past commitments and at least beginning to fund future ones. That seems unfair, because it is.

Most people might agree that living beyond our means in the aggregate, via unfunded social services and insurance, or disproportionate use of resources, imposes a burden on our offspring. But we might still fail to reach agreement on who should pay for funding these programs, or for reducing our consumption of resources. Too often, it is easier to deal with the distributional problem by shifting the burden to those who are not present, and who are insufficiently represented by those who are.

Education and values are the foundation of sound individual and, ultimately, collective choices. Without them, the incentives and policies that economists rightly argue are needed to increase energy efficiency, limit carbon emissions, economize on water usage, and much more will lack support and fail in the democratic decision-making process.

If sustainability is to triumph, it must be predominantly a bottom-up process. Environmentalists are right to focus on education and individual choices, even when their policy proposals are not always on target. Education and values will drive local innovation, alter lifestyles, and shift social norms. They will also affect business behavior via choices by customers and employees, including business leaders. Thus, they are essential components of the formulas needed to pursue sustainable patterns of growth.

But, while education and values are necessary, they clearly are not sufficient. Complementary national policies and international agreements will require careful scientific and economic analysis and thoughtful choices. The need for burden-sharing, particularly between advanced and developing countries, will not magically disappear. Climate-change risks, though serious, should not be mistaken for the entire sustainability agenda.

There are clear steps that can be taken. Appropriate regulation and sufficiently long time horizons can make structures of all kinds much more energy-efficient, without imposing burdensome costs. In a similar way, transportation can become less energy-intensive without restricting mobility. Some of these shifts might be subject to international coordination, in order to avoid adverse competitive consequences, whether real or perceived.

But too much coordination can be a bad thing. That is why climate-change negotiations are shifting from the misguided objective of seeking risky 50-year commitments to binding carbon-emissions targets to focusing on parallel, step-by-step processes, including higher energy efficiency, better urban planning, improved transportation systems, and on learning as we go. Likewise, businesses and industries that are heavy water users will simply develop new technologies and thrive in the face of scarcity.

Progress has been helped by growing awareness in populous Asia – and in developing countries generally – that sustainability is the key to achieving their longer-term growth objectives. This perspective perhaps comes more naturally in an environment of rapid growth, because their growth models require continual review and adaptation to be sustainable.

Over time, values shift as knowledge is acquired and disseminated. Policies aimed at sustainability are likely to follow. What is unknown is whether we will reach that point fast enough to avoid major disruptions, or even potential conflict.

Michael Spence, a Nobel laureate in economics, is Professor of Economics at New York University's Stern School of Business, Distinguished Visiting Fellow at the Council on Foreign Relations, Academic Board Chairman of the Fung Global Institute in Hong Kong, and Senior Fellow at the Hoover Institution, Stanford University. His latest book is *The Next Convergence – The Future of Economic Growth in a Multispeed World*.

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Zsolt 01:25 18 Feb 12

I completely agree with the author that the only options we have to change our present human model is education and values of society.

And I also agree that the way it is happening today has very minimal effect on most part of society, especially as the leading layers of society ignore it and if it becomes too close to them discredit even the scientific data showing the ill effects and unsustainable nature of the constant growth model. And since this is the social layer that could truly drive a mass scale global education we are in a dead end. How could we motivate the top layer to buy into this education program changing social values?

Fortunately humans are not above the system of nature, but we are parts of it, bound by its natural laws.

The constant growth model with its way beyond necessity production/consumption requiring outstripping resources is unsustainable because it goes against all the natural laws of living systems, breaking the balance and homeostasis of the system.

Thus we are witnessing a system failure and we see every day that there is no solution, the desperate helpless attempts of our politicians and financial leaders just make our situation even worse making recovery much more difficult.

By now it is quite clear there is no way out using our previous methods and tricks, and it is also clear to most people that this new closed, integral, interdependent system is something we never experienced before.

The crisis and the lack of solution and the growing public anger, global demonstrations could provide the negative motivation, the pinch from the backside moving the leaders out of their comfort zone to consider initiating the global education necessary.

Of course if we are wise and look at the vast data already available we could avoid the negative push from behind, and start education and changing values before the crisis gets so bad that we all suffer from it from the 1% to the 99%.

gamesmith94134 08:28 18 Feb 12

Gamesmith94134: **The Sustainability Mindset**

I must agree to the education and values will drive local innovation, alter lifestyles, and shift social norms. However, our present system for growth in perpetuity also developed adverse effects like, "In the US, productivity deficiencies have led to a pattern of disconnection from global supply chains. So the challenge for America is not only to restore productivity, but also to restore its links to the main currents of world trade." By Michael Spence, of The Exchange rate delusion. Perhaps, we can understand the competitiveness in productivity and balance of trade take effects to the global supply chain. So, the present system to changing technological and global conditions in order to achieve stability, equity (in terms of opportunity and outcomes alike), and sustainability may not be good for its children, the next generation; or other. Then, achievement to a sustainability mindset is questionable.

As a Nobel laureate in economics, you should know the basis of our financial system is not functioning well; and now, we have crisis. Perhaps, it is not education and value making the drive on the economy; and the finite world demand limits for its resources prior we exhaust it all; at least, some sense of balance required to connect us to the global supply chain and we must be compatible in competitiveness. In a way, I thought of Zoning as firewalls to halt our urge to its infinite growth; then the sustainability of mindset can be achievable through reality instead of another wild geese chase.

gamesmith94134 11:20 17 Feb 12

Gamesmith94134: A clarion call for emerging markets

[Eswar Prasad](#),

"These economies need measures that help to keep the poor out of poverty traps, and that give them realistic opportunities to improve their economic well-being. Such steps include broadening financial markets to give more people access to credit and investment, strengthening social safety nets to protect the economically vulnerable, and improving educational access and quality."

As I understand is the systems and applications for emerging market nations to safe-guard itself and provide a sufficient safety net for its people, and I see your concern of the history in corruption that ruin the past. There is no solution for the equality in transferring wealth for individual if each is significantly different and each achieves on various grounds. However, there is a state of homeostasis as Zsolt mentioned that how we can improve the quality of the

harmonic state within even through the age of globalization.

Through the human history of the hunter to farmer, settler to government, we develop ourselves to supply ourselves with a deed of survival; and we evolve and change ourselves from the two- dimensional pyramid(citizen and protectors) to a three dimensional as in multi-national global world(citizen, country, sovereignties) through the political faith. Each is protected and expanded from kingdom to republic, and turn to the systematic capitalism and communism. Then, the systems demand its acquisition on its aggregated demands to colonization or invasion in order to fulfill their desires of another safety net. However, we see they both may have failed through corruption; and it is not just emerging market nations only but both the developed nations. Their actions created the status quo that broiled the global economy.

It is much like an olive-shape football constantly bounced and rolled off the ground; and consequently, their citizens' discontents may acquire the better applications to "broadening financial markets to give more people access to credit and investment, strengthening social safety nets to protect the economically vulnerable, and improving educational access and quality". Nonetheless, I see no solution for their reliefs based on their political faiths, but there must be another diversion to keep the pointed ends from hitting the ground. It is the Zoning based on the continental structures that sovereignties can group them in creating the safety nets for their people; so, whenever one suffers from colonization or invasion the political system may make its changes must come through the Zones. Then, each nation is protected through its neighbors and its resources or wealth may not be exploited through corruptions or acquisition. Perhaps, Zoning can stabilize within creating its homeostasis to growth; even the corrupted officials must face the scrutiny of his peers through the accountability and logistical advantages toward a collective bargain when it comes to face with its opponents or competitors. Eventually, the system of Zoning can contribute its accountability, and harmony among all its members of the Zone.

As in applications to the system, the central controls of the Zone will be protected and coordinated with the United Nations Security Councils, with all its members. By supporting the livelihood of the regional growth, each must develop its own Transfer Unions on both political and financial developments, and they should be under ruling and control of the global organizations like the World Bank may utilize the International Court systems or World Trade Organization to monitor the judiciary and logistic protection and proliferation. Perhaps, this way we can keep the poor out of poverty traps, and that give them realistic opportunities to improve their economic well-being.

Based on the theory of the Zoning, the globalization of world trade and politics can be divided into continents as Europe by OCED, Asia by ASEAN, Africa by African Union, North American by US, Canada and Mexico, and South America by Southern States. Each can provide its stewardship to its members in managing the resources and finance, or dealing with crisis; when assistance is needed. Such steps include broadening financial markets to give more people access to credit and investment, strengthening social safety nets to protect the economically vulnerable, and improving educational access and quality. Once again, we can resolve the polarization of the capitalism and socialism that drags each other into the black hole of demise or change of regimes in order to adapt either of the system to grow. Consequently, I think such Zoning can give people more room to breathe instead of struggling with inequality and imbalance of how capitalism or socialism failed to change the lives of its people.

Finally, in term of the information age, its development provides all with the modernization of science and education to improvise the better system, like Zoning and integration of the globalized structures; it allows us to search the boundary and beyond; eventually, they can teach us how we can integrate into others without struggling or fighting through the homeostasis; if we all learn how we can share with each other to survive in the coming century.

It is not a dream if only each can put a little effort to make it works.

May the Buddha bless you?

mikerobe 04:58 18 Feb 12

The historical record is clear: civilizations crash. Only primive cultures are sustainable. In fact I can't think of a primitive culture that would not have continued indefinitely were they not overrun by one civilization or another.

A tchnological metaphysics (Heidegger) coupled with voracious capitalism has generated the most complex and rapidly expanding civilization the world has ever seen. I admire Spence's audacity. He is arguing that something other than aggregate economic data matter!!!! But I find highly implausible the idea that some set of rival values or educational scheme will offset the unmistakable trends toward collapse.

Who kows what new cultures will emerge in a post-collapse future. We can only hope that they will not repeat the hirarchical, expansionist, anxiety-laden civilizations that have so regularly self-imploded since the beginning of domestication.

