

Is Sustainable Capitalism Possible?

*“a sustainable quality of life for all” depends on
the carrying capacity of Mother Earth...
and the caring capacity of humanity...*

My first response to the news of the collapse of one bank after another and then the inevitability of a financial crisis in its wake was, perhaps oddly - a resounding **‘yes!’** Before you condemn me for having a hard heart or being a person without sympathy for the consequent suffering of thousands of people (probably now into the millions), let me explain why I believe this crisis along with the environmental crisis - which go hand in hand - provide an opportunity to make some long overdue changes to our lifestyle that will have beneficial consequences not just for ourselves today, but for the planet and for future generations.

Financial Crisis:

We, in the developed world, have been living *beyond our means* for too long. The assumptions were that unlimited growth was possible; that “free trade” was the only vehicle; and that deregulation and unfettered capitalism would sustain us in the march towards unrestrained consumption (which has been the main economic indicator of national growth and development). But sadly, all of these assumptions were misconceived:

- Our earth and its people cannot sustain unlimited growth.
- Free trade has never been truly ‘free’: protectionism, tariffs and duties on goods traded across borders has been an integral part of the scene since trade first began.
- Deregulation of the banking system, and its move away from the more self-regulated mutual savings banks has encouraged an insidious greed within the banking system that is unprecedented in the history of banking.
- Capitalism without morality has led to the growth of multinational/transnational corporations (MNC) or multinational enterprises (MNE) that control more financial and natural resources than most nations, but without government regulation.
- Unrestrained consumption is not healthy for people or other living things.
- Consumption may be an indicator of economic growth but whether this is the only or most appropriate indicator for measuring development of a nation needs to be challenged: it certainly does not measure national wellbeing or the health of a nation.

Crisis as Opportunity:

It did not take the financial crisis to hit the headlines for people to know that we had a huge problem brewing. It has been talked about and written about for years: concern was expressed that the financial investment system could not keep growing at the rate it was; although small and larger bubbles had grown and burst, still the amount of ‘money’ in the system kept expanding; people worried about some debt-laden nation ‘opting out’ and declaring it was no longer going to pay the increasing interest on its never-ending debt burden; after the old gold standard collapsed in 1971, because there was no longer enough gold to cover all the paper money in circulation, the use of ‘fiat money’ (money which depends on government guarantees) became widespread and was criticised by many politicians and economists.

At a more local level personal debt increased at geometric rates as banks and shops encouraged a level of buying and living that could not possibly be sustained in the longer term. Personal and corporate “want” quickly took over basic human “need” as the governing force of consumption. Governments exacerbated the problem by encouraging consumption: their use of gross domestic product/income or GDP/GDI (which is the market value of all goods and services made within its borders over a year) as the main indicator of an economy’s performance meant that constant expansion was seen not only as desirable, but essential.

We have been living beyond our means, not just financially, but also in terms of our use and abuse of our environment and its scarce natural resources. The consequences of this unlimited consumption on the planet and its inhabitants are belatedly being realised, not just in the financial banking system, but also in current fears of “climate chaos”, “climate change” and “ecological crisis”. Rather than seeing these as two separate crises, it is imperative that we grasp the opportunity to address the issues a convergence of the two represents, and resolve them together.

A cursory reading of the history of the human condition tends to suggest that, in general, we do not change unless we are forced to. Crisis, suffering and shock often force us to re-evaluate; to take stock; to re-order priorities. They provide us with the opportunity to re-consider cherished values; to re-establish nurturing relationships; to re-member our communities. They provide us with the opportunity to make the vital mental shift from individual 'rights' to corporate 'responsibility' in our living. They invite us to begin to live in a way that recognises our inherent inter-connection, not only with the people and our earth in the 21st C but with the people - our great great grandchildren - who will be living on this earth a century from now.

We have been living not just beyond our own means, but we have also been living beyond the means of future generations. Now, more than ever before, it becomes incumbent on us to ***“live simply so that others may simply live.”*** This no longer applies only to the poverty-stricken of today, but to all the people of 'tomorrow'.

Lessons to be learned:

Dennis Winschel, in a recent article entitled “Lessons from the Economy”¹ suggests that *“what is needed here is a change that **makes a difference** and a change that **makes us different**”* and offers three ‘life lessons’ to counter some of the illusions which have contributed to our current crisis:

- **We are interconnected: in contrast to the illusion of independence.** What one person or one organisation does has an effect on others. Good people are losing their jobs and savings because of what we - collectively - have done, and we are experiencing the consequences of others’ choices.
- **We need to live lives of moderation: in contrast to the illusion of unlimited prosperity.** We need to live within our means by honestly discerning the difference between wants and needs.
- **We must make sure our values are virtues: in contrast to the illusion that all values are identical.** Traditionally virtues are values that lead to the fullest or highest potential of what a human being and human society can be... they promote individual and collective wellbeing.

The Judeo-Christian tradition is founded on ‘faith’ ‘hope’ and ‘charity/love’ and the Greek tradition gave us ‘justice’ ‘courage’ ‘wisdom’ and ‘moderation’. All religions teach interdependency and simple living. But until we change ourselves and believe in our interconnectedness, live modestly, and practice the virtuous values, there will be no change for the common good.

Sustainable Capitalism?

Jonathon Porritt, author of Capitalism as if the World Matters has written an article in a recent issue of “Resurgence”² suggesting:

“If we are to avoid the ultimate recession, the only available global solution lies in designing a sustainable capitalism. Our goal should not be to just come out of the other side of recession as fast as possible with as little damage done as possible, but to build the foundations for a system of wealth creation that simultaneously addresses both the climate crunch and the oil crunch...Capitalism’s dramatic collapse offers at least some chance of a belated reconciliation between the pursuit of economic prosperity on the one hand and the protection of the life-support systems on which we all depend on the other.”

Whilst acknowledging how adept we have become at self-deception, he cites three reasons for being cautiously optimistic about our prospects for changing our ways:

- **The sheer intensity and depth of the collapse** has blown away years of ideological fantasizing about the superiority of deregulated, debt-driven, finance-based capitalism.
- **The overwhelming evidence about climate change** and its rapidly accelerating impacts leaves our politicians with less and less space to hide.
- **The rebirth of America as witnessed in the election of President Obama is absolutely fundamental...** that doesn’t mean Obama will deliver, and it is extremely unwise to heap such expectations on any one person. But at least the potential is there, on climate change, on security issues, on nuclear disarmament, on Palestine, on a transformed global economy - and it just wasn’t there before.

Noting that what we need is genuinely sustainable development, our challenge is: *“can we conceptualise and then operationalise an alternative model of capitalism - one that allows for the sustainable management of all the different capital assets on which we rely, so that the yield from those different assets sustains us now as well as in the future?”*

¹ “Lessons from the Economy” by Dennis Winschell. Radical Grace: a publication of the centre for action and contemplation, Vol. 22 no. 3 July - Sept 2009

² “Living Within our Means” by Jonathon Porritt, Resurgence: at the heart of earth, art and spirit, August 2009

He outlines three key areas where political intervention is required immediately if we are to meet the challenge. Firstly, **Recapitalisation Strategies** are required which put the foundations of our economies on to a genuinely sustainable footing. Put in economic jargon, *“we’ve aggressively drawn down on Nature’s capital assets, liquidating natural capital to generate current income... (so) nature’s balance sheet is now over-leveraged to an astonishing extent, creating a burden of debt that there is little prospect of paying back in this generation.”* One means of redressing this imbalance is through “Earth Restoration Budgets” that *“restore natural capital and ecosystems services in ways that simultaneously protect the livelihoods of some of the world’s poorest people.”* REDD - Reducing Emissions from Deforestation and Degradation - is an example of such a strategy that could work if the political will is there to address the concerns about land rights, poor governance, corruption and the interests of the indigenous peoples.

Secondly, the **Green New Deal** is being offered the opportunity, through this crisis, of mobilising the public and private sectors by investing more in *energy efficiency* and in *renewables*. He notes that *“the positive spin-off from the Green New Deal will be the creation of hundreds of thousands of sustainable green jobs - the “double dividend” - and, as such, the low carbon economy is an essential component of economic recovery.”*

Thirdly, the concept of **Sustainable Economies**, which has been around since the 1950s, but largely ignored by respective governments, must be re-visited and embraced. As noted above, the assumption that unlimited growth was possible or desirable is being challenged. Porritt believes in retaining a commitment to market-based economies, but *“those capital markets must be subjugated... made servant to... the kind of economy that we now need - rather than be allowed to dominate the economy.”*

Amongst some of the strategies being debated are:

- strict limits on leverage ratios;
- ‘de-merging’ of financial conglomerates;
- outlawing of speculative practices;
- stripping banks of their right to create credit (and then charge interest on it) by returning that right to central banks;
- renewing the government’s commitment to Ecological Tax Reform - *“shifting far more of the burden of taxation away from jobs, value added and wealth creation and onto waste, inefficiency and emissions of CO₂”*;
- exploring some kind of maximum wage to reduce wealth disparities;
- re-thinking through the whole issue of taxation, both personal and corporate (in particular the use of tax havens)

Conclusion:

The question remains as to whether we shall genuinely use these crises as an opportunity:

- to *“simplify our lives”*?
- to *“live within our means”*?
- to *“live more simply so that others may simply live”*?
- to initiate real *“change that makes a difference and a change that makes us different”*?
- to say that *“enough is enough”* and act on it?

As Christians, Franciscans, and simply as sisters and brothers of our fellow human beings at the other ends of this planet earth, with which we have become so ‘disconnected’, we have a shared responsibility to, in the words of Gandhi, *“be the change you want in the world”*. Do we have the vision and courage to meet this challenge and turn these crises into opportunities? Our children, grandchildren and those yet to be born depend on us...

Nancy Adams

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