

International Society for Ecological Economics
Internet Encyclopaedia of Ecological Economics

Equity

Neva R. Goodwin

February 2003

Introduction

There are many definitions of equity. The word is normally associated with both "fairness" and "equality," while equality is often understood as an important component of fairness. This essay will not attempt to cover all the meanings of equity, but will proceed on the assumption of some common understandings of equality and fairness. It will first summarize briefly how the concept of equity has fared in the evolution of economic theory, from the classical economists of the 18th and 19th centuries, through the neoclassicals of the 20th. It will then focus on ways that ecological economics can once again provide a central place for equity. To do so is not simply a theoretical exercise. Values are involved – values that cannot help but have an impetus toward action. Some possible implications for action will be outlined.

1. Goals for economic systems as represented in economic theory

Economics, as developed by Adam Smith and later classical economists, on through the 19th century, was a discipline that was designed to make the world a better place. "Better" meant providing a higher standard of living, most particularly for those who had least resources. This tendency towards equalizing, at least by lifting those on the bottom, embedded a concern for equity in the foundation of the discipline. This received some additional support from the combination of marginal analysis with utilitarianism, where the reasonable assumption of the declining marginal utility of money suggested that the goal of maximizing well-being was best served by increasing the incomes of the poor.

However, in the 20th century the ethical character of economics, which had persisted up through the work of Alfred Marshall (1842-1924), was weakened by several forces. These included the idea that the utility of different people could not, scientifically, be compared (making it unrespectable to suggest that \$100 would mean something different to a pauper and to a millionaire), as well as the desire of economics to be "value-neutral," as the hard sciences were imagined to be. In fact, rather than being value-neutral, neoclassical analyses have tended to support the status quo, based on principles such as Pareto efficiency.

As the distribution of economic resources has become more unequal in recent decades, some economists have questioned whether significant economic inequities are socially sustainable. The linkages between economic inequality and environmental degradation have also been explored. Ecological economics was born, as a field, in the early 1980s, just in time to benefit from – and to foster – wide dissemination of the idea of sustainability. Attention to this concept ushered in a renewed debate on what, in fact, are the

appropriate goals for an economic system, and on how the theory that explains and supports this system should, itself, be judged. As an alternative to the discounting approach, which sees the future only through the point of view of the present, sustainability thinking views the future in terms of what it will be like when it arrives. It usefully raises the question: what do we want to sustain?

Coming out of the environmental movement, the initial answer to that question was a focus on environmental quality. However, the word was soon adopted by the field of development economics, via the formulation, "sustainable development," proposed by the World Commission on Environment and Development (1987 – otherwise known as the Brundtland Commission). I have urged (Goodwin, 2000) that this term be expanded and made more explicit: that we think in terms of Socially And Environmentally Just And Sustainable – or SAEJAS – development. This essay will inquire into what it would mean for the discipline of economics, and the field of ecological economics, to accept the goal of promoting SAEJAS development.

A theory of SAEJAS development would continue to pay significant attention to the goal of efficiency, which has had pride of place in neoclassical thinking. Properly understood, efficiency is a value that is highly appropriate to the material well-being of humanity and the health of global and local ecosystems. However, an economic theory that takes SAEJAS development seriously must also give serious attention to equity – the step-child of 20th century economics. Fortunately, the economics of the past century nourished within its bosom another idea that has great potency to aid in the task of reconnecting equity and efficiency; namely, the concept of externalities.

Representing a rare concordance, this concept is equally embedded (though not always by the same name) in the minds of economists, environmentalists, and the general public. Negative externalities (the kind that are most relevant for this discussion) occur when any economic actor creates a harm that falls on some person or entity other than the one causing the harm.

- Economists recognize that the existence of externalities is a serious theoretical and practical problem for the optimality outcomes that are supposed to result from freely competitive markets: in the presence of externalities, there is no reason to expect that the market solution will be optimal.
- Environmentalists have long protested the fact that many economic actors (especially the most powerful ones) are able to make some of the costs and harms they generate fall on other people in the present or the future, or on other species.
- Norms of fairness exist in every society, and, though they differ in details, they contain many common themes and widely shared assumptions. It is difficult, if not impossible, to find any society where the idea of externalizing costs, once it is explained, would not be considered illegitimate.

With broad and growing agreement on the illegitimacy of negative externalities, the interdependence of environmental sustainability and social justice becomes increasingly evident. Decision-makers can ignore toxic pollutants for a while, if they are dumped in areas inhabited by poor people

whose voices are little heard by the powers that be – but those toxic sites are none the less dangerous to the ecosystem and to future human health. Rural peoples undoubtedly prefer not to destroy the natural resources around them, but when events rob them of alternatives their immediate survival may depend on unsustainable forest cutting, overgrazing, etc.. (World Resources Institute, 2001; Chambers, 1992)

2. SAEJAS goals and constraints on traditional economic growth

The growth of the flow of materials through the economic system has been a concomitant of economic progress as normally understood, but it is also a major cause of the environmental destruction resulting from economic progress. Environmentalists increasingly believe it is necessary not only to convert the flow of materials from a linear to a circular one (converting "throughput" to "circumput"), but also to constrain the total content and the composition of that flow. These ideas have not sat comfortably with traditional thinking about social justice: liberal economists, politicians, and policy makers have most often regarded a growing pie as necessary to allow the poorest to claim, if not a larger proportion of the pie, at least a slice that is somewhat larger in absolute terms.

It has not been easy to find a resolution to this situation, in which two well-meaning groups have been pulling in opposite directions. By the early 21st century, however, a cautious, sometimes grudging, consensus appeared to be in the making. It is not a consensus on the solutions, but on three areas to focus on when seeking solutions. The first of these areas is the technology of production.

A move toward the alterations in technology and capital stock needed to make sizable and continuous reductions in materials flow through the economic system are already in evidence on the production side (in processes sometimes called "ephemeralization" or "dematerialization"). However, even if all of the known-to-be-feasible environmentally friendly technologies were employed, and if all of the capital stock changes required to support these changes could be quickly accomplished, and even under the most optimistically small projections for foreseeable population growth, many analysts believe that change in production technology will not be sufficient to achieve sustainability. (Daly, 1987; World Resources Institute, 2000)

Then the next line of defense will be the requirement to change the composition of consumption (and, thus, of production). Just to give one example: if food consumption in rich countries were to shift, overall, away from meat and towards grains, the same per capita amount of calories and other nutrients could be made available to a growing world population without an increase – possibly even with a decrease – in the rate of degradation of agricultural lands.

The final line of defense – one that no society is likely to choose voluntarily, but that could be forced upon us by environmental realities – would be reduction, cessation or even reversal of aggregate growth of output (Daly, 1980). If it turns out that neither dematerialization in production, nor market-driven (or at least market-compatible) change in the composition of consumption can halt and reverse the trends toward environmental degradation, so that economic growth as we now know it becomes impossible, then an emphasis upon equity will become all the more essential

– and all the more difficult to sustain. At least a quarter of the world's people are consuming too little, so that malnutrition, illness and lack of education shorten and immiserate their lives and may prevent them from making positive contributions to the society. If reductions in global economic activity are required, in a form that necessitates a reduction in global production and consumption, SAEJAS development will require that it is in the richer parts of the world, and among the wealthier individuals in all parts of the world – not among the poor – that reductions in consumption of material things occur.

Stabilization or reduction of material output could also come about by declines in human population. It is possible to imagine not-too-painful scenarios in which the human population of the 22nd century becomes lower than at present. It is much harder to imagine any circumstances other than disasters in where there is significant global population decline before the end of the 21st century. This article will not explore in detail the disaster scenarios which, if they come about, are most likely to be connected with failures of social and/or environmental sustainability.

In addition to the obvious equity issue, there is considerable evidence that environmentally destructive consumption is more associated with wealth than with poverty. (Rahman, 1998) For this reason, a more even distribution of wealth would tend to have beneficial effects on the composition of output. This essay will consider some reasons to believe that it is not only the poor who would benefit from fairer distribution; I will argue in the next section that the rich are not benefiting as much as is generally thought from their excessive consumption. Moreover, rich and poor share similar concerns about the world their grandchildren will live in: what resources will remain to produce the goods we need? What beauties and joys of nature can be preserved from destruction?

It is very hard at this point to see plausible routes to achieving improved distribution of wealth, income, and/or consumption on either local and global scales; such visions may be impelled by ecological economics, but they must be fleshed out in the context of political morality. This essay will therefore focus on the desirability of altering patterns of consumption by the rich, without attempting to say what combination of tax or trade policies, cultural norms, religious exhortation, economic recession, and/or environmental conscience might bring this about. The emphasis will not be on direct redistribution, in which the rich hand over resources to the poor – though that could be a helpful piece of the solution, were it to happen. Rather I will emphasize reasons why it would be desirable for the rich nations, and wealthy people in all nations, to stop consuming such a disproportionate share of the world's resources.

On the face of it, such an approach has its own problems. As the world's economy is now organized, the poor are in many ways dependent upon the rich maintaining their life-styles. A serious question is how significant reduction in consumption by the wealthy could come about without widespread suffering following shifts and reductions in production with their ripple effects on jobs and income. Promoters of socially and environmentally just and sustainable development must remember the lesson of the Asian (and global) economic crisis of the late 1990s: that the working poor and the jobless will suffer the most in economic slowdowns, whether these might be

caused by some reduction in rich-country demand or by environmental backlash.

At present, economic growth in developing nations, and economic health in many developed ones, is closely linked to export success. In particular, export success for U.S. trading partners is closely linked to the increasingly external-deficit-dependent, highly energy-and materials-intensive U.S. demand. Alternative sources of demand must be found for the world's producers. Here a solution to the equity part of the problem could simultaneously help with the environmental part. A more even distribution of the world's purchasing power (both among and within nations) would certainly create new sources of demand. The increased purchasing power of the poor would, on balance, shift consumer demand toward less environmentally harmful products. (Durning, 1992)

The existence of good reasons for change does not, of course, ensure that change will come about. Voluntary reduction of consumption by the rich, in ways that will allow increased consumption by the poor, is not generally regarded as a likely outcome. It may be, however, that the only alternative is the "nightmare scenario" in which redistribution does not occur and ecological collapse hits the poor soonest and hardest, causing Third World famine and disease on a scale surpassing anything ever experienced by our species, while shrinking enclaves of the wealthy erect walls against the rest of the world. (See Goodwin, 1994). To be sure, history provides plenty of examples where human beings have known that they were rushing headlong to disaster, yet have continued to do so. (Tuchman, 1984) A suspicion that the nightmare scenario is a likely outcome of our present trajectory would probably not be enough, by itself, to ensure change.

The remainder of this essay will suggest several issues that might be bundled with the fear of disaster to deflect our course towards the regime of greater equity which has always been a moral desideratum, but which may now be an imperative for the survival of human civilization. These issues will include a new understanding of the relationship between material wealth and happiness; roles for education; and the roles of norms and values.

3. The relation between wealth and well-being

A basis, if not a hope, for changing social beliefs and norms is provided by one of the newest social science disciplines, hedonic psychology. Evolving from work begun in the 1950s by Richard Easterlin, and carried forward by Daniel Kahneman (recognized in 2002 with a Nobel memorial prize in economics), Ed Diener, and others, the extensive surveys and scrupulously careful psychological analyses that are the grounding for this area of study have produced several findings with major significance for the questions we are addressing. (Kahneman et al, 1999). Their findings support the commonsense belief that people who cannot be sure of having the basic requirements for survival are likely to be at the relatively unhappy end of the spectrum. However, for people who are accustomed to living above poverty, the influence of wealth or consumption on their happiness is largely a relative matter. To the extent that their comparison group is their neighbours, this is a zero sum game; only some people can derive their happiness from superior wealth, while others must suffer from having, relatively speaking, less. As the globalized world encourages ever greater proportions of the human

population to take wealthy Americans as their comparison group (e.g., as seen on TV), there is reason for ever-growing dissatisfaction. The comparison may also be temporal, a matter of whether one is on a rising or a falling trajectory in terms of wealth and income. It is clear that happiness is positively affected as people come up in the world. However, one of the strong findings of hedonic psychology is that people adjust fairly quickly to changed circumstances. A few years after having attained better (or worse) living circumstances, an individual is likely to return to the same base condition of happiness that obtained before the rise (or fall).

What does this mean for the balance between environmental sustainability and social justice? It breaks the identity, so long assumed if not stated in economic theory, between simple economic growth and happiness. More material wealth does not correlate perfectly with more happiness. Economic growth has much to contribute when a population is living below a level of basic needs satisfaction, but for relatively wealthy populations overall economic growth and increased consumption can be shown to have slight positive or even negative impacts on well-being, along with potentially large negative impacts, through environmental feedback. Another part of the equation is a society's perception of fairness and equity, which may have positive well-being effects. (Veenhoven, 1993; Diener and Oishi, 2000).

One of the policy prescriptions growing out of this work is that governments should focus somewhat less on the well-being that is expected to result from individual spending, and more on what may be achieved through social investments (Diener 1995a; Diener 1995b; Frank, 1999). John Kenneth Galbraith made this point many decades ago (Galbraith, 1958). This prescription has been successfully followed by a number of European countries, but the trend in the U.S. has gone in the other direction. A shift in emphasis from private toward public spending is resisted by economic and cultural systems that depend upon encouraging the high consumers of the world to consume more than they can benefit from.

4. The desirability of increasing the education component in national output

Equity considerations combine with environmental constraints and hedonic psychology to suggest that in the long run unsustainable consumption patterns are self-defeating. Many observers agree that what appear as conflicts between the dictates of economics, on the one hand, and those of ecology, on the other, diminish when a long rather than a short time-frame is adopted (Porter, 1996). The only way to find economic solutions today which are not ecological disasters tomorrow is to attune economic solutions to a more sophisticated, long-term understanding of individual, group, national, and global welfare. For this to be possible it is necessary that the level of sophistication of the human race – the incidence of an ability to see long-range and subtle interactions of cause and effect – be considerably increased. For that, the best hope is a vast increase in the level and quality of education of all peoples. (Homer-Dixon, 1999.)

Fortunately, people all over the world recognize education as having a very high value; for most poor families, once the basic necessities are met (and, for many, even before they are all met), the highest priority is to get an education for at least one member of the family. Greater economic equality

can therefore be expected to be strongly correlated with rising effective demand for improved education.

A massive shift of global and national resources into education is attractive for at least three reasons. It can be done in a way that improves equity, by raising the earning power of the poor. It is a relatively clean and green kind of production – a kind of output shift that could raise GDP while improving the environmental consequences of growth. At the same time, any strategy for achieving solutions to ecological crises somewhere short of disaster must depend on support from better educated citizens and decision makers.

In particular, a number of educators have emphasized the importance of ecological literacy. (Orr, 1994) In the context of equity and sustainability, environmental literacy is a broad topic, stretching to include a basic understanding of what constitutes, and what contributes to, human well-being. One of the contributors to human well-being is ecological health; it is obvious that environmental literacy should include facts about threats to our natural environment, and an understanding of the system that provides these threats. One threatening aspect of this system is the consumerist culture which encourages purchase and disposal of items that have little or no positive well-being impact. Environmental literacy must therefore include a consumer awareness component, building on recent efforts to educate children to recognize and defend against advertisers' manipulation of their values and their desires.

Environmental literacy is needed first in the rich countries, because people who now live in a relatively sustainable manner will continue striving to exchange their lifestyle for a high-consumption model, as long as that is what the rich exhibit as the goal. The rich must adopt lower-consumption lifestyles before the poor can be expected to welcome lessons on sustainable living. (Durning, 1992) For rich and poor alike, environmental literacy must include information on how to live sustainability – including discussion of the personal and social values involved in sustainable behaviour.

5. Norms and values in education and action

Even well-informed self-interest is often insufficient to ensure change, especially when the subject is the future, not the present. As it becomes increasingly evident that environmental sustainability cannot be widely achieved in the absence of social justice, it will be seen that ecological literacy must also go beyond information to include discussion of norms and goals. Some fear that such discussions will risk overstepping cultural boundaries, forcing-feeding foreign values. However, fairness and survival are universally held human values. The goals of socially and environmentally just and sustainable development can readily be grounded in these. Both fairness and survival will require, for example, that activities that consume large amounts of raw materials and energy, whether in leisure or in production, must be devalued relative to those that are relatively non-polluting and non-destructive. Such behavioural changes will depend on a combination of values and facts, in a context of significant value shifts throughout the world.

Reduction in inequality is a valid equity goal in itself, apart from its environmental effects, but social norms on this subject vary widely, from place to place and from time to time. Voting behaviour suggests that Americans, for

example, are more comfortable with inequality than are Scandinavians. Within the U.S., tolerance for inequality has ebbed and flowed several times during the nation's history. From World War II through the 1960s popular opinion apparently supported measures that reduced inequality. Since then this support has eroded, being replaced by confusion about the facts of inequality in the U.S., and by social norms that stressed a presumed correlation of high achievement with high income. (Phillips, 2002; Harrison and Bluestone, 1988)

America's growing tolerance of inequality is important to the rest of the world, not least because it has been widely exported, along with the policies to liberalize international markets and increase trade (often referred to as the Washington Consensus) which have been supported, over the past three decades, by the World Trade Organization, the International Monetary Fund, and the economic and political power of the multinational corporations. However, past high tides in inequality have been reversed by revulsion of feeling among the people affected. The possibility for social norms to reverse the recent trend is, on the one hand, strengthened by the growth of democracy. On the other hand, it may be weakened by the extent to which cultural norms and values are influenced by the corporate actors that control media, and that see materialism and consumer culture as in their interest.

Trends in social norms and values, and trends in academic thinking, each reflect and influence the other. During the 20th century the discipline of economics aspired to a scientific status that was believed to require value neutrality. This allowed economics to take a long detour away from its original, ethical concerns, while it gave implicit support to economic systems that promoted inequality. As ecological economics embraces an expanded notion of sustainability – one that recognizes the unsustainability of extremes of wealth and poverty in our crowded, information-rich, and resource-devouring species – it must abandon some old misconceptions of what it means to be scientific. A belief that equity has an important place in theory is inevitably accompanied by a concern for how such a value is reflected in the world. Equity is not a value-neutral subject.

References

- Ackerman, Frank, Neva R. Goodwin, Laurie Dougherty and Kevin Gallagher, eds. (2000), *The Political Economy of Inequality*. Washington, D.C.: Island Press
- Chambers, Robert (1992) "Sustainable Livelihoods: The Poor's Reconciliation of Environment and Development" in *Real-Life Economics: Understanding Wealth Creation*, ed. Paul Ekins and Manfred Max-Neef. New York: Routledge. Ch. 7, 214-229.
- Daly, Herman E. (1980), *Economics, Ecology, Ethics: Essays Toward a Steady-State Economy*. New York and San Francisco: W.H. Freeman and Company
- Daly, Herman E. (1987), "The Economic Growth Debate: What Some Economists Have Learned but Many Have Not" in *Journal of Environmental Economics and Management*, 14 (December); 323-336.
- Diener, Ed, Marissa Diener, and Carol Diener (1995a), "Factors Predicting the Subjective Well-Being of Nations," *Journal of Personality and Social Psychology*, 69: 851-864
- Diener, Ed and Marissa Diener (1995b), "Cross-Cultural Correlates of Life Satisfaction and Self-Esteem," *Journal of Personality and Social Psychology*, 68: 653-663
- Diener, Ed and Shigehiro Oishi (2000), "Money and Happiness: Income and Subjective Well-Being Across Nations" in Diener and E.M. Suh, eds., *Subjective Well-Being Across Cultures*. Cambridge, MA: MIT Press
- Durning, Alan (1992), *How Much is Enough? The Consumer Society and the Future of the Earth*. W. W. Norton & Co
- Frank, Robert (1999), *Luxury Fever: Money and Happiness in an Era of Excess*. Princeton, NJ: Princeton University Press
- Galbraith, John Kenneth (1958) *The Affluent Society*. Boston, MA: Houghton Mifflin
- Goodwin, Neva R. (1994) "Commentary: A Range of Predictions for the Future" in *Ecological Economics*, May
- Goodwin, Neva R. (2000) "Development Connections: The Hedgerow Model" in *Rethinking Sustainability: Power, Knowledge and Institutions*; Jonathan Harris, ed.
- Harrison, Bennett, and Barry Bluestone (1988) *The Great U-Turn*. New York: Basic Books

- Homer-Dixon T. and Blitt J., eds. (1999). *Eco-Violence*; New York: Roman and Littlefield
- Kahneman, Daniel, Ed Diener and Norbert Schwarz, eds., (1999) *Well-Being: The Foundations of Hedonic Psychology*. New York, NY: Russell Sage Foundation
- Orr, David (1994) *Earth in Mind: On Education, Environment, and the Human Prospect*. Washington D.C.: Island Press
- Phillips, Kevin (2002), *Wealth and Democracy*. New York: Broadway Books
- Porter, Michael (1996) "Capital Choices: National Systems of Investment" in Neva R. Goodwin, ed. *As If The Future Mattered: Translating Social and Economic theory into Human Behavior*. Ann Arbor: University of Michigan Press
- Rahman, A. Atiq (1998) "Lifestyle is the Problem" in *Exploding the Population Myth* Ch. 9, 103-107. Dhaka: University Press Limited.
- Tuchman, Barbara (1984) *The March of Folly*. Ballantine Books
- Veenhoven, Ruut (1993) *Happiness in Nations: Subjective Appreciation of Life in 56 Nations 1946-1992*. Rotterdam: Erasmus University, RISBO Press
- World Resources Institute (2000), *Weight of Nations: Material Outflows from Industrial Economies*. Washington, DC, WRI publications
- World Resources Institute (2001), *World Resources 2000-2001: People and Ecosystems: The Fraying Web of Life*. Washington, DC, WRI publications