

The life required

At a time of ecological and political crisis, we must recast our ideas of economics, argues **David W. Orr**

ILLUSTRATIONS BY MONICA RAMOS

The theoretical foundations of modern economics were first outlined by Adam Smith in *The Wealth of Nations* (1776). But Smith had previously written a major work, *The Theory of Moral Sentiments*, about the bonds that hold societies together, and was working on a new edition when he died. In one he is said to have argued the importance of self-interest; in the other, the importance of empathy and sympathy.

Whatever one's opinion about what Smith really thought, subsequent generations of economists have built the shambling edifice of economic theory on the foundations of self-interest, not sympathy; individual, not public interest; private wealth, not commonwealth; the present, not the future; and assumptions of insatiable wants, endless growth, infinite substitution for resource scarcity, know-how over know-why, and the chimerical creature called "economic man" who maximises the foggiest of foggy concepts called "utility".

The mainstream neoclassical version of economic theory ignores the laws of thermodynamics, presumes away limits imposed by ecology, devalues Nature as mere resources, assumes a model of human nature that would not pass muster among mentally healthy psychologists, advocates behaviour repugnant to any ethical ethicist, defies the requirements for adequate safety margins that elsewhere inform good engineering, mixes its description of economic behaviour with its prescription for proper behaviour, and confuses rationality with our

bottomless capacity to rationalise almost anything, including the most abhorrent, deprived, ridiculous, idiotic, improbable and hair-brained things in the catalogue of human actions.

With some notable exceptions, economic theory from Smith to Milton Friedman works best if the questions are small, the accounting narrow, time

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horizons short, and its practitioners true believers. Yet it towers virtually unassailable against legions of critics, including some of the most distinguished economists. More than any other body of thought, economics has come to define us as self-maximising economic automatons independent of society, not as thoughtful, attentive citizens, or as dutiful community members, caring parents, spiritual creatures, or as beneficiaries of the labours of earlier generations, and ancestors of those yet to be born. It has taken shallow to a whole new depth. It is said to explain everything.

It comes, then, as no surprise that all problems are presumed to be economic and so can be solved only by economic solutions that mostly have

to do with selling more of something unneeded to people who can't afford it in order to increase the wealth of those already over-burdened with too much and further accelerate the speed of the treadmill. This is called 'neoliberalism', which is merely turbo-charged capitalism.

More progressive economists admit many of the flaws of economics in theory and practice but believe that the capitalist economy can be remodelled as "green" capitalism without the exertion of examining and re-forming its foundational assumptions. A smarter economy would offset the negative aspects of institutionalised greed, perpetual growth and consumerism. A few smart adjustments at the margin, a policy shift here, better technology and a change in taxation, and *voilà!* Sustainability!

Alas, a sterner and less forgiving reality is rapidly forcing us to rethink the basic premises of economics and change the economy to accord more closely with the way the world works as a physical system, the basic rights of present and future generations, and the obligations that go with being a "plain member and citizen" of the community of life – and to do so in large measure for our own self-preservation.

Economic theory, however, did not develop in a vacuum. Rather, it co-evolved with business practice and particularly in interaction with increasingly powerful concentrations of capital called corporations. Corporations can be credited greatly