

Rachel's Environment & Health News

#627 - Sustainable Development -- Part 4

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Sustainable development means achieving human well being without exceeding the Earth's twin capacities for regeneration (trees and water, for example) and for waste absorption (carbon dioxide, for example). As we have seen in recent weeks (REHW #624, #625, and #626), there is growing evidence that humans have already exceeded both of these capacities and that further growth in throughput (making more stuff using more energy) will only make things worse. Of course, increasing efficiency (making more useful things with fewer materials and less energy) can buy us a short reprieve. But it appears that we are approaching (or have already exceeded) the Earth's limits for handling many kinds of wastes. Sooner rather than later total throughput (measured as the total number of humans multiplied by their furnishings and the energy they require) must soon decline or we face a harsh future with (for example) more big, costly storms and more poisoned wildlife and people. Recall that hurricane Mitch just killed over 10,000 people and devastated several national economies.

To bring human economic activity into line with Earth's limits, we will need to understand the forces that are pushing us in wrong directions. Chief among these is the drive toward "free trade," according to economist Herman Daly.[1,2] If there is one thing that most economists, politicians, and business leaders agree on, it is the desirability of free trade. Daly, on the other hand, says free trade undermines environmental standards, drives down wages, weakens our capacity to do better, and undermines our sense of community.

Free trade is the absence of barriers to international trade. There are three common barriers: tariffs, quotas, and restrictions on the flow of capital. A tariff is a tax on goods coming into a country --for example, a tax on Egyptian cotton imported into the U.S. A quota is a limit on imports --for example, the U.S. might accept only a certain number of Japanese automobiles. A third limit on free trade might restrict the amounts of foreign capital that could flow into a country. For example, in response to its recent (and ongoing) financial crisis, Malaysia is now severely restricting the amount of foreign capital that it will accept.

Almost all traditional (neoclassical) economists favor free trade. Among economists, free trade has taken on the character of a religious faith, its power to do good unquestioned. Among traditional economists, Herman Daly is viewed as a heretic. He believes free trade is bad for everyone (except transnational corporations) for the following reasons:

** Free trade tends to lower environmental and social standards internationally. Take the example of two nations: One nation internalizes environmental and social insurance costs to a high degree (enforcing strict environmental laws; providing benefits such as health care and social security). The second nation refuses to internalize these costs --providing no social security, and throwing toxic waste into its rivers. Products from the second country will sell for less and will tend to drive competitors in the first country out of business. Thus there is a clear conflict between a national policy of internalizing environmental and social insurance costs and a policy of free trade. The country that exploits its environment and its citizens is rewarded. The country that protects its environment and its citizens is penalized.

Of course if we had a world government to enforce environmental rules and minimum standards for human well being, this problem would disappear. But no such government is in sight. Furthermore, the world's economists cannot even agree on how to measure the costs of environmental degradation; the vast majority of economists continue to account for depletion of natural resources as if it were income --a preposterous and wrongheaded accounting practice that is nearly universal. (Any business that treated depletion of its assets as income would be bankrupt in short order.)

One solution would be a tariff on goods imported from countries that refuse to internalize environmental and social insurance costs. Such a tariff would aim not to protect an inefficient domestic

industry but to protect an efficient national policy of setting prices to reflect the full costs of maintaining community.

** Wage levels are set mainly by population size and growth rates. Countries with large populations, rapidly growing, tend toward low wages. This is especially true because the laboring class tends to have a much higher birth rate than the owning class, often twice as high. Labor is the main cost in most consumer goods. Therefore, cheap labor means low prices, creating an advantage in trade. Capital therefore tends to move to low-wage countries. Herman Daly believes that the effect of unrestricted capital mobility is the same as the effect of unrestricted labor mobility. If the U.S. had unrestricted borders, we would enjoy endless cheap labor, but wages would plummet. Unrestricted capital flow will have the same effect, Daly says. "United States capital will benefit from cheap labor abroad followed by cheap labor at home, at least until checked by a crisis of insufficient demand due to a lack of worker purchasing power resulting from low wages," Daly wrote in 1996.

Daly's words have a special resonance today when Asian economies have been devastated by overcapacity for cars, chemicals, and electronics. As Louis Uchitelle of the NEW YORK TIMES wrote recently, "In an open-border global economy nearly every car manufacturer, for example, is trying to have a presence in every market. But when all the factories crank out more cars than people can buy, down come car prices. Down go the profits of car companies. Out go the workers. And down go the number of people who can afford to buy cars. Economies can spiral downward toward recession, or worse.... The global economy appears, in effect, to be capable of self-destruction." [3]

The problem of uniformly low wages could be solved by maintaining low population growth everywhere, plus a fair distribution of benefits, plus policies to internalize the costs of environmental protection and social insurance. But even if all this were achieved, Daly says, free trade would still be harmful:

** Free trade and free capital mobility separate the ownership and control of businesses, and force labor to become mobile --both of which undermine human community. "Community economic life can be disrupted not only by your fellow citizen who, though living in another part of your country, might at least share some tenuous bonds of community with you, but by someone on the other side of the world with whom you have no community of language, history, culture, law. These foreigners may be wonderful people --that is not the point. The point is that they are very removed from the life of the community that is affected significantly by their decisions. Your life and your community can be disrupted by decisions and events over which you have no control, no vote, no voice." [4]

** Daly believes that free trade and free capital mobility have created economic instability by permitting huge imbalances in international payments and capital transfers resulting in debts that are unrepayable or excessively burdensome. Efforts to pay back loans while still meeting domestic needs have fostered government deficits and high inflation rates, furthering instability. Inflation then takes an additional toll: currency devaluations, foreign exchange speculation, repudiation of debts, and bank failures. Thailand, South Korea, Malaysia, Indonesia, the Philippines. Who is next?

** Free trade appears to loosen the constraints of the ecosystem, but this is a false picture. We must all live within the absorptive and regenerative capacities of the ecosystem. Trade allows us to import environmental services (including waste absorption) from elsewhere. Within limits, this makes sense. New York City cannot grow its own food and must import it from elsewhere. But, Daly says, free trade leads to a situation in which every nation is trying to live beyond its own absorptive and regenerative capacities by importing these capacities from elsewhere.

It requires 12.6 acres of land per person (5.1 hectares) to create the flows of materials and energy needed to maintain an American

lifestyle, and Europeans require nearly as much. But if you divide all the good land on Earth by the present human population, you find there are only 3.7 acres (1.5 hectares) available per person. This tells us that everyone on Earth will never be able to enjoy the hedonistic lifestyle to which we are accustomed.[5]

Secondly, if you divide all the good land in the U.S. by the current U.S. population, you find that we have only 6.9 acres (2.8 hectares) per person. This means each of us is "borrowing" 12.6-6.9=5.7 acres (2.3 hectares) of someone else's land to maintain our lifestyle.[5] (Is this one reason why we spend \$250 billion each year --5 times as much as any other country --maintaining our armed forces?)

Thus we in the overdeveloped north face a number of uncomfortable moral realities: with at least a billion people not getting sufficient food calories each day to maintain subsistence, they require economic growth --not merely development --to meet their needs. Yet growth is already stressing the planet's capacity to regenerate itself and absorb our wastes. It appears that the overdeveloped north will have to stop growing (and perhaps shrink) before the south can take its rightful place at the world's table.

Daly acknowledges that the roots of this problem are much deeper than free trade ideology. But, he says, "The point is that free trade makes it very hard to deal with these root causes at a national level, which is the only level at which effective social controls over the economy exist.... [T]he unit of community is the nation --the unit in which there are institutions and traditions of collective action, responsibility, and mutual help, the unit in which government tries to carry out policies for the good of its citizens...."

Daly favors not free trade but regional trade among national communities that share similar community standards regarding wages, welfare, population control, environmental protection, and conservation. "True efficiency lies in the protection of these hard-won community standards from the degenerative competition of individualistic free trade, which comes to rest only at the lowest common denominator," he writes.[2,pg.235]

Today a growing movement of workers, environmentalists, consumers, farmers, and social activists worldwide is urging an alternative to the destructive practices called "free trade." Instead of free trade, they are promoting fair trade. Fair trade is a concept developed in the U.S. (and elsewhere) in the 1940s. Fair trade is international trade based on bedrock principles: workers are paid a fair wage--whenever possible not a minimum wage but a family-sustaining livable wage; the business unit is the cooperative or producer association; raw materials are locally derived and managed in a sustainable fashion; fair trade organizations respect the cultural identity of their trading partners; and they insist on public accountability for their business operations. [6] Different. Very different.

--Peter Montague National Writers Union, UAW Local 1981/AFL-CIO)

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[1] Herman E. Daly, BEYOND GROWTH (Boston: Beacon Press, 1996). ISBN 0- 8070-4708-2.

[2] Herman E. Daly and John B. Cobb, Jr., FOR THE COMMON GOOD [Second Edition] (Boston: Beacon Press, 1994). ISBN 0-8070-4705-8.

[3] Louis Uchitelle, "Global Good Times, Meet the Global Glut," NEW YORK TIMES November 16, 1997, Section 4, pg. 3. And see William Greider, "When Optimism Meets Overcapacity," NEW YORK TIMES October 1, 1997, pg. A27. And see William Greider, ONE WORLD, READY OR NOT: THE MANIC LOGIC

OF GLOBAL CAPITALISM (New York: Touchstone Books, 1998). ISBN 0684835541.

[4] Daly, BEYOND GROWTH, cited above in note 1, pg. 163.

[5] Mathis Wackernagel and William Rees, OUR ECOLOGICAL FOOTPRINT; REDUCING HUMAN IMPACT ON THE EARTH (Gabriola Island, British Columbia, Canada: New Society Publishers, 1996). \$14.95 plus \$3.00 shipping from: New Society Publishers, P.O. Box 189, Gabriola Island, B.C., Canada V0R 1X0; telephone (604) 247-9737.

[6] Learn about fair trade on the world wide web: http://www.fairtradefederation.com/ab_princ.html and http://www.ifat.org/fair_trade_def.html.

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