Economics: An Environmental Perspective
Unmasking the Myths of the Predatory Lion Economy

By Wayne Visser

It is not uncommon to hear our present global economic system being compared to a predatory natural environment. We might imagine the market as a great African plain where competition for scarce resources dominates the life of every species. We can see successful companies as the supreme hunters in this eat-or-be-eaten world, like the awesome lions of the bushveld.

It is certainly a compelling analogy and one that is perpetuated in boardrooms and business schools around the world. We need only look at our economic and business language to realise that predatory behaviour is believed to be imperative to survive and thrive in the marketplace. We must "target" our customers, "chase" higher growth and better profits, "hunt" for potential merger or acquisitions partners, and "go for the kill" in our sales pitches.

But is this lion-king economy really the kind of place that we want to live in? Of course, it's great if you're at the top of the food chain, but what about the other, more vulnerable species? Is the free market really working "for the common good", as it should according to Adam Smith's "invisible hand"? Or are communities and the environment being sacrificed to keep companies well fed?

This article questions many of the beliefs which dominate economic thinking today, and asks whether we can design an economy "as if people and the planet mattered" – a sustainability-driven elephant economy.

Myth 1: The bushveld exists solely to serve the lion-king

One hundred years ago, nobody questioned the role of the economy in our lives. Business and the economy existed to serve the welfare of society – to provide the goods and services we needed in order to maximise our quality of life. Certainly, it was not the other way round. People did not exist to serve the economy.

And yet, some time in the past century, the tables have turned. Personal, community and even country survival are increasingly dependent on working within the formal, money economy. Furthermore, companies are able to justify all kinds of unethical practices in the name of profits or job creation, whether it is restricting the accessibility of lifesaving drugs, or causing wholesale destruction of the natural environment.

Partly this is a systemic problem in the way our economy works. It encourages dependency on money, institutionalises growth and incentivises short-sighted thinking. It is also about the balance of power and accountability. Today, many companies are more influential than whole countries, yet they remain accountable only to their shareholders, whose sole criterion is dividends.

This entrenched situation is the same as saying that the entire bushveld exists only to serve the lion-king. Which, of course, is neither desirable nor sustainable, even in a "survival of the fittest" context. In actual fact, nature is dominated by cooperative, symbiotic relationships that weave together into a complex, dynamic balance.

Myth 2: The bushveld contains unlimited food for the lion

We all know that economies depend on the natural environment, both to supply resources and act as a sink for our wastes. But the rate at which most modern economies are gobbling up raw materials and pumping out pollution far exceeds the ecosystem's ability to regenerate or assimilate these materials. Our economies, especially from the First World, are acting like lions who entertain the misguided belief that their appetite and food source is unlimited. A few statistics illustrate the point.

We have lost over ten percent of the species that were living a few hundred years ago. Conservation biologists are predicting that half of the diversity of life will be lost in the next century if the present rates of habitat destruction and disturbance continue. Already, according to the World Resources Institute (2001), in the last 50 years we have lost, destroyed or seriously depleted two thirds of the world's agricultural land, half of the freshwater wetlands, mangrove swamps and rivers, a quarter of the marine fish stocks and 20 percent of the forests.

Some scientists are talking about humanity bringing about the 6th mass extinction in the history of the Earth. This is a matter for grave concern bearing in mind that, on the evidence of the previous mass extinctions, it takes between 10 million and 100 million years to recover former levels of biological diversity.

Unfortunately, as the election of George W Bush in the USA has shown, plugging short term economic growth and business interests at the expense of the environment still wins political votes. So, until enough social pressure can be exerted and today's perverse economic incentives corrected, our modern economies will continue to function like planet guzzling monsters engaged in an unsustainable feeding frenzy.

Myth 3: Growth of the pride is good for the bushveld

This myth relates to a widely held belief that economic growth is always good and should be continuously strived for. At the heart of this assumption is the idea that if the economy is growing, everyone is becoming progressively better off. Wealth that is generated supposedly "trickles down" through the society and the general standard of living is raised. For this reason, growth in gross domestic product (GDP) has come to be regarded as an indictor of a country's level of development and quality of life.

The evidence, however, is beginning to challenge this myth. The United Nations' Human Development Index concludes that "the link between economic prosperity and human development is neither automatic nor obvious". In a similar vein, the World Economic Forum's Pilot Environmental Sustainability Index concludes that "there is no clear relationship between a country's observed economic growth rate and its environmental sustainability".

What we do know is that over the past 50 years, while the global economy has steadily grown, income inequality has increased, i.e. the rich have become richer and the poor have become poorer. Furthermore, several indicators that adjust GDP for negative factors such as environmental degradation, poverty and health (e.g. the Index for Sustainable Economic Welfare) show that, since the 1970s, our quality of life has been declining despite the increase in GDP.

This is a fundamental challenge to one of the biggest myths of our time and one that pervades all business and economic thinking – that growth is good and bigger is better. Now we have to face the fact that economic growth does not automatically benefit either society or the environment. And in the age of sustainability, where economic, social and environmental performance is linked, business will need to examine these relationships and impacts more carefully. When the lion pride grows, it may well be at the expense of other species and the environment.

Myth 4: The lion ignores the state of the bushveld

No one would be naive enough to say that lions are unaware of the state of their environment – whether affected by drought or rain or disease. Lions constantly pick up on signals from the bushveld, which tell them how they need to modify their own behaviour to survive and thrive the changing conditions. Unfortunately, our modern economies often either do not receive this feedback effectively or choose to ignore it.

At the moment, if there is a tragic accident that kills hundreds of people, or an environmental catastrophe that requires extensive clean-up, GDP goes up, the economy grows and we are all meant to be better off. Which is, of course, nonsense! This is because, in the economists' own jargon, "externalities" are not internalised. Pollution is a typical negative externality. It imposes costs on others (e.g. health costs, loss of aesthetic value, ecological damage), but these costs are not paid for by the polluter.

Unless our economies can begin to "internalise" these externalities (e.g. through pollution or social "sin" taxes), companies and the public will continue to ignore the steady decline in the state of the environment or health of the community. In fact, our economies not only fail to tax resource use and pollution, they still subsidise resource-intensive, polluting activities, such as the fossil fuels industry.

So the challenge is to begin to generate the correct signals in the economy. Feedback on negative social and environmental impacts needs to be translated into economic terms, through higher costs, lost revenues, taxes, consumer boycotts and the like. This will allow players in the economy to adjust their behaviour to maximise the welfare of society and the planet.

Myth 5: All other species are indebted to the lion

Money is the lubricant of the economy and sometimes it feels like it really does make the world go round. But we should not forget that money is meant to be a tool in our hands, a simple mechanism to help us meet our needs more efficiently and effectively. In this respect, money is like a public service – something that is meant to serve the common good of society.

Few people know, however, that most of the money in circulation is created through commercial debt, i.e. through loans made by commercial banks. According to the fractional reserve banking system, commercial banks can lend out (and charge us interest on) more than 5 times the amount of money than they physically have, i.e. they create money "out of nothing" and charge people for it. What's more, one of the largest expenditure items in governments' budgets is interest payable to these commercial banks; meanwhile other public services like health, education and environment are crying out for more government funds.

The interest rate mechanism that our national economic system uses is problematic for a number of other reasons as well. For instance, there is evidence to suggest that interest is one of the chief causes of the "trickle up" effect we are seeing today, i.e. why the rich are getting richer and the poor poorer. It's obvious really: The wealthy receive net interest, since their investments generally exceed their debts and they get preferential rates, while the opposite is true for the poor, who end up paying out net interest.

Another insidious effect of interest is linked to the widely applied practice of discounting, whereby a given amount of money today is worth more than the same amount in the future. According to environmental economist Herman Daly, this can results in "economically rational" extinction of species. For example, if the interest rate exceeds the growth rate of a natural forest, it makes economic sense to rather cut down the forest, sell the wood and invest the money in an interest-bearing account. Daly calls this phenomenon "killing the goose that lays the golden egg". "The fact that individual capitalists are made better off by killing the goose and putting their money in a faster growing asset", he says, "does not alter the fact that society has lost a perpetual stream of golden eggs."

Myth 6: Fatter lions do not necessarily increase the health of the bushveld

A lot of the calls for increasing free trade in the globalising economy come from the acquisitive appetites of first world multinational companies that have saturated their own domestic markets. Under the World Trade Organisation, even some basic social and environmental standards are being challenged as restrictions on free trade that should not be allowed.

Critics of the globalised free trade regime talk about the "race to the bottom" in terms of these standards. In other words, they fear that economies and companies will simply trade with and invest in countries that have the lowest social and environmental standards. This would make narrow business sense, since higher standards always cost money and, in the short term, reduce profits.

Many are beginning to believe that Adam Smith's invisible hand of the market, which is meant to automatically result in the "common good", is probably more a conjuring trick than the truth. There are too many examples of countries and companies sacrificing the morally "right" option in favour of economic growth and profits. For example, one of US President Bush's reasons for not backing the global action plan on climate change (the Kyoto Protocol) was that it would hurt the US economy. Likewise, oil companies have until recently resisted being proactive on reducing their greenhouse gas emissions because their profits may suffer.

So, we should not judge the health of our society or the planet by how large or wealthy our economies or businesses are. At the same time, it is simplistic to just brand companies as villains, without taking into account the economic system that shapes their behaviour. The relationship between how well a lion is eating and the health of its surroundings is neither simple nor direct.

Myth 7: The lion is eternal king by design and birthright

It is clear that our modern, globalising economy is dominated by predatory tendencies and that in many cases, our cultural integrity, community health and natural ecosystems are being sacrificed in the hunt. But this is not to say that the economy cannot be transformed to become a more cooperative, compassionate force in society. We made it, we can change it.

It is all a question of emphasis. Until now, economics has chosen to highlight and dramatise the predatory aspects in society, whereas these are the exception rather than the rule. Even in nature, the underlying characteristic is that of interdependent relationships and symbiotic cooperation. In a sustainability era, economies' success will depend on being able to create win-win outcomes for communities and the planet.

To extend the metaphor, the predatory lion will lose its throne to the sustainability elephant. An elephant is a powerful symbol for the economy of the future. Elephants are gentle animals, with an extremely rich and complex social life. They are matriarchal societies and display a wide range of behaviours that show their compassionate nature. They demonstrate a remarkable capacity for learning and sharing their knowledge over long distances using infrasound.

Elephants are also a role model for sustainability. They have been around in various forms for 50 million years and are supreme adaptors, having survived an ice age, they are today still living on high mountain slopes, in tropical forests, savannah bushveld and sandy deserts. And they leave in their wake conditions that are highly favourable for other species, such as water holes and previously inaccessible vegetation.

A vision of the sustainability elephant economy

So what can we do to transform our economies into ones that serve not only business interests, but communities and the environment as well? The South African New Economics (SANE) Foundation1, whose mission is the promotion of a more just, sustainable economy, describes what steps we can begin to take:

1. Tax bads and reward endeavour - At present we do the opposite. We need to tax pollution, non-renewable resources, currency speculation and land; and to reduce income tax.
2. Promote local – We need to move from export-led growth to consumption-led enterprise, especially for subsistence sectors such as food, fibre, fuel, and furniture.
3. Restrict international currency movement – We need to control speculative "footloose" capital and begin to restore national sovereignty, using a Tobin Tax, and other controls. These will stimulate local capital generation and direct it to where it is needed.
4. Take control of money creation – We need to restore to the central bank its right and democratic duty to create the money that society needs, instead of leaving this to debt-based creation by commercial banks.
5. Support local parallel currencies – We need to regenerate local economies, especially rural enterprise, through developing local currencies and promoting sustainable livelihoods instead of just jobs.

[1] www.sane.org.za

6 Issue a citizen's basic income - We need to create a mechanism to raise all people above the poverty line. It is simple to administer and cuts the costs and bureaucracy of means-testing. The multiplier effect of increased local purchasing power will create work for idle hands and skills.

These and other changes will amount to nothing less than "shapeshifting" (Visser & Sunter 2002), of changing the fundamental nature and dynamics of our global economy, of dethroning the predatory lion-king and embracing the characteristics of a new royal monarch – the sustainability shape of the elephant economy.

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