

Almost everything we buy is too cheap.



Psst!

Wanna know a little secret?

Modern-day economists don't care about the planet or the environment. Their ideas actually undermine environmentally responsible development. While the rest of us know that what we are doing to the world is not sustainable, the theories of modern-day economists are pushing us further in the wrong direction. They make us under-price the world's resources and use them on the cheap. Modern economic notions encourage us to abuse nature for profit, ruin ecosystems without considering their full value and think that species and resource depletion do not matter.

If we want to start behaving sensibly, if we want to protect the world for future generations, we need to ditch the ideas of modern economists.

Let the children pay

This is because traditional economic theory has been sacrificed to the God of Growth. According to classical economics, the price we pay for resources and other goods should reflect the costs – *all* the costs. What we pay for raw materials – oil, copper, zinc, coal - should include not just the direct costs of getting them out of the ground but also the indirect costs – the environmental costs incurred during their extraction and use, for example. The price should also reflect the loss of these resources to future generations. If not, then part of the cost of our using them today is paid by someone else.

We are not following this principle.

When a logging company clears a piece of rainforest in Brazil or Indonesia, neither the company nor its customers pay the full cost today. They do not pay for the loss of the animal habitats, for the destruction of plants we have not yet studied, or for the ruin of valuable ecosystems. Modern economic thinking, with its desire to drive down prices and externalise costs, consigns those consequences to society, to the environment and to future generations.

Similarly, when a factory making plastics in China or India releases toxic waste into a river, it does not include the damaging effects of this in the price it charges its customers. So the plastic is cheaper than it should be. The consumers using the plastic are subsidized by those living downstream from the factory, who pay part of the price through illness caused by polluted drinking water. The poisoned aquatic life pays part of the cost too.

In classical economics, the logging company or the plastics manufacturer are said to receive “unearned” profits from their actions. They make a gain that they should not. The consumers of the wood or plastic benefit unfairly too, because what they buy is cheaper

than it should be. This gives them an incentive to buy even more and not to value what they have.

Adam Smith, remember him?

This problem has been overlooked because we have been led to think that classical economics and today's economic ideas are the same.

But they are not.

Rather than paying properly for our resources, we have been held hostage by modern economic theorists and corporate libertarians, by those demanding less regulation, by those who say that government interference should always be minimized, and by those who believe that economic growth is a worthy measure of human development.

As a consequence, we are using the world's raw materials too fast and on the cheap, letting future generations, wider society and the environment pay part of the price.

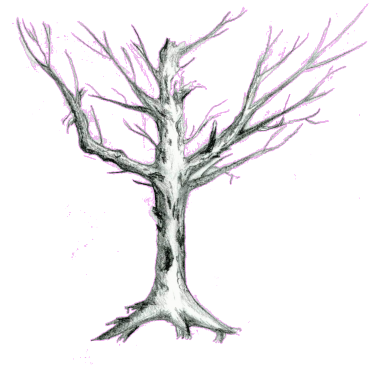
As a result, much of what we buy costs much less than it should. This explains why we can buy a DVD player more cheaply than lunch, why the bus ride to the airport can cost less than the flight and why a pair of glasses cost more than a washing machine.

Widespread pricing anomalies exist because we are under-pricing resources, ignoring the full costs of using them and exploiting our world for short-term gain. The same thinking lies behind outsourcing jobs from America to Asia and companies failing to pay enough money into their pension schemes. They are driven by the desire to make small gains now, regardless of the long term social consequences.

That is not the economics of Adam Smith.

We need to change this. We need to put a stop to undeserved gains and rethink how we use, allocate and price the world's resources.

After all, the planet belongs to all of us - even our grandchildren.



Sketch of dead tree by Sun Ran