

THE ECONOMICS OF THE COMING SPACESHIP EARTH

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We are now in the middle of a long process of transition in the nature of the image which man has of himself and his environment. Primitive men, and to a large extent also men of the early civilizations, imagined themselves to be living on a virtually illimitable plane. There was almost always somewhere beyond the known limits of human habitation, and over a very large part of the time that man has been on earth, there has been something like a frontier. That is, there was always some place else to go when things got too difficult, either by reason of the deterioration of the natural environment or a deterioration of the social structure in places where people happened to live. The image of the frontier is probably one of the oldest images of mankind, and it is not surprising that we find it hard to get rid of.

Gradually, however, man has been accustoming himself to the notion of the spherical earth and a closed sphere of human activity. A few unusual spirits among the ancient Greeks perceived that the earth was a sphere. It was only with the circumnavigations and the geographical explorations of the fifteenth and sixteenth centuries, however, that the fact that the earth was a sphere became at all widely known and accepted. Even in the thirteenth century, the commonest map was Mercator's projection, which visualizes the earth as an illimitable cylinder, essentially a plane wrapped around the globe, and it was not until the Second World War and the development of the air age that the global nature of the planet really entered the popular imagination. Even now we are very far from having made the moral, political, and psychological adjustments which are implied in this transition from the illimitable plane to the closed sphere.

Economists in particular, for the most part, have failed to come to grips with the ultimate consequences of the transition from the open to the closed earth. One hesitates to use the terms "open" and "closed" in this connection, as they have been used with so many different shades of meaning. Nevertheless, it is hard to find equivalents. The open system, indeed, has some similarities to the open system of von Bertalanffy, ¹ in that it implies that some kind of a structure is maintained in the midst of a throughput from inputs to outputs. In a closed system, the outputs of all parts of the system are linked to the inputs of other parts. There are no inputs from outside and no outputs to the outside; indeed, there is no outside at all. Closed systems, in fact, are very rare in human

experience, in fact almost by definition unknowable, for if there are genuinely closed systems around us, we have no way of getting information into them or out of them; and hence if they are really closed, we would be quite unaware of their existence. We can only find out about a closed system if we participate in it. Some isolated primitive societies may have approximated to this, but even these had to take inputs from the environment and give outputs to it. All living organisms, including man himself, are open systems. They have to receive inputs in the shape of air, food, water, and give off outputs in the form of effluvia and excrement. Deprivation of input of air, even for a few minutes, is fatal. Deprivation of the ability to obtain any input or to dispose of any output is fatal in a relatively short time. All human societies have likewise been open systems. They receive inputs from the earth, the atmosphere, and the waters, and they give outputs into these reservoirs; they also produce inputs internally in the shape of babies and outputs in the shape of corpses. Given a capacity to draw upon inputs and to get rid of outputs, an open system of this kind can persist indefinitely.

There are some systems – such as the biological phenotype, for instance the human body– which cannot maintain themselves indefinitely by inputs and outputs because of the phenomenon of aging. This process is very little understood. It occurs, evidently, because there are some outputs which cannot be replaced by any known input. There is not the same necessity for aging in organizations and in societies, although an analogous phenomenon may take place. The structure and composition of all organization or society, however, can be maintained by inputs of fresh personnel from birth and education as the existing personnel ages and eventually dies. Here we have an interesting example of a system which seems to maintain itself by the self-generation of inputs, and in this sense is moving towards closure. The input of people (that is, babies) is also all output of people (that is, parents).

Systems may be open or closed in respect to a number of classes of inputs and outputs. Three important classes are matter, energy, and information. The present world economy is open in regard to all three. We can think of the world economy or "econosphere" as a subset of the "world set," which is the set of all objects of possible discourse in the world. We then think of the state of the econosphere at any one moment as being the total capital stock, that is, the set of all objects, people, organizations, and so on, which are interesting from the point of view of the system of exchange. This total stock of capital is clearly an open system in the sense that it has inputs and outputs, inputs being production which adds to the capital stock, outputs being consumption which subtracts from it. From a material point of view, we see objects passing from the noneconomic into the economic set in the process of

production, and we similarly see products passing out of the economic set as their value becomes zero. Thus we see the econosphere as a material process involving the discovery and mining of fossil fuels, ores, etc., and at the other end a process by which the effluents of the system are passed out into noneconomic reservoirs – for instance, the atmosphere and the oceans – which are not appropriated and do not enter into the exchange system.

From the point of view of the energy system, the econosphere involves inputs of available energy in the form, say, of water power, fossil fuels, or sunlight, which are necessary in order to create the material throughput and to move matter from the noneconomic set into the economic set or even out of it again; and energy itself is given off by the system in a less available form, mostly in the form of heat. These inputs of available energy must come either from the sun (the energy supplied by other stars being assumed to be negligible) or it may come from the earth itself, either through its internal heat or through its energy of rotation or other motions, which generate, for instance, the energy of the tides. Agriculture, a few solar machines, and water power use the current available energy income. In advanced societies this is supplemented very extensively by the use of fossil fuels, which represent as it were a capital stock of stored-up sunshine. Because of this capital stock of energy, we have been able to maintain an energy input into the system, particularly over the last two centuries, much larger than we would have been able to do with existing techniques if we had had to rely on the current input of available energy from the sun or the earth itself. This supplementary input, however, is by its very nature exhaustible.

The inputs and outputs of information are more subtle and harder to trace, but also represent an open system, related to, but not wholly dependent on, the transformations of matter and energy. By far the larger amount of information and knowledge is self-generated by the human society, though a certain amount of information comes into the sociosphere in the form of light from the universe outside. The information that comes from the universe has certainly affected man's image of himself and of his environment, as we can easily visualize if we suppose that we lived on a planet with a total cloud-cover that kept out all information from the exterior universe. It is only in very recent times, of course, that the information coming in from the universe has been captured and coded into the form of a complex image of what the universe is like outside the earth; but even in primitive times, man's perception of the heavenly bodies has always profoundly affected his image of earth and of himself. It is the information generated within the planet, however, and particularly that generated by man himself, which forms by far the larger part of the information system. We can think of

the stock of knowledge, or as Teilhard de Chardin called it, the "noosphere," and consider this as an open system, losing knowledge through aging and death and gaining it through birth and education and the ordinary experience of life.

From the human point of view, knowledge or information is by far the most important of the three systems. Matter only acquires significance and only enters the sociosphere or the econosphere insofar as it becomes an object of human knowledge. We can think of capital, indeed, as frozen knowledge or knowledge imposed on the material world in the form of improbable arrangements. A machine, for instance, originated in the mind of man, and both its construction and its use involve information processes imposed on the material world by man himself. The cumulation of knowledge, that is, the excess of its production over its consumption, is the key to human development of all kinds, especially to economic development. We can see this pre-eminence of knowledge very clearly in the experiences of countries where the material capital has been destroyed by a war, as in Japan and Germany. The knowledge of the people was not destroyed, and it did not take long, therefore, certainly not more than ten years, for most of the material capital to be reestablished again. In a country such as Indonesia, however, where the knowledge did not exist, the material capital did not come into being either. By "knowledge" here I mean, of course, the whole cognitive structure, which includes valuations and motivations as well as images of the factual world.

The concept of entropy, used in a somewhat loose sense, can be applied to all three of these open systems. In the case of material systems, we can distinguish between entropic processes, which take concentrated materials and diffuse them through the oceans or over the earth's surface or into the atmosphere, and anti-entropic processes, which take diffuse materials and concentrate them. Material entropy can be taken as a measure of the uniformity of the distribution of elements and, more uncertainly, compounds and other structures on the earth's surface. There is, fortunately, no law of increasing material entropy, as there is in the corresponding case of energy, as it is quite possible to concentrate diffused materials if energy inputs are allowed. Thus the processes for fixation of nitrogen from the air, processes for the extraction of magnesium or other elements from the sea, and processes for the desalinization of sea water are anti-entropic in the material sense, though the reduction of material entropy has to be paid for by inputs of energy and also inputs of information, or at least a stock of information in the system. In regard to matter, therefore, a closed system is conceivable, that is, a system in which there is neither increase nor decrease in material entropy. In such a system all outputs from

consumption would constantly be recycled to become inputs for production, as for instance, nitrogen in the nitrogen cycle of the natural ecosystem.

In regard to the energy system there is, unfortunately, no escape from the grim Second Law of Thermodynamics; and if there were no energy inputs into the earth, any evolutionary or developmental process would be impossible. The large energy inputs which we have obtained from fossil fuels are strictly temporary. Even the most optimistic predictions would expect the easily available supply of fossil fuels to be exhausted in a mere matter of centuries at present rates of use. If the rest of the world were to rise to American standards of power consumption, and still more if world population continues to increase, the exhaustion of fossil fuels would be even more rapid. The development of nuclear energy has improved this picture, but has not fundamentally altered it, at least in present technologies, for fissionable material is still relatively scarce. If we should achieve the economic use of energy through fusion, of course, a much larger source of energy materials would be available, which would expand the time horizons of supplementary energy input into an open social system by perhaps tens to hundreds of thousands of years. Failing this, however, the time is not very far distant, historically speaking, when man will once more have to retreat to his current energy input from the sun, even though this could be used much more effectively than in the past with increased knowledge. Up to now, certainly, we have not got very far with the technology of using current solar energy, but the possibility of substantial improvements in the future is certainly high. It may be, indeed, that the biological revolution which is just beginning will produce a solution to this problem, as we develop artificial organisms which are capable of much more efficient transformation of solar energy into easily available forms than any that we now have. As Richard Meier has suggested, we may run our machines in the future with methane-producing algae. ²

The question of whether there is anything corresponding to entropy in the information system is a puzzling one, though of great interest. There are certainly many examples of social systems and cultures which have lost knowledge, especially in transition from one generation to the next, and in which the culture has therefore degenerated. One only has to look at the folk culture of Appalachian migrants to American cities to see a culture which started out as a fairly rich European folk culture in Elizabethan times and which seems to have lost both skills, adaptability, folk tales, songs, and almost everything that goes up to make richness and complexity in a culture, in the course of about ten generations. The American Indians on reservations provide another example of such degradation of the information and knowledge system. On the other

hand, over a great part of human history, the growth of knowledge in the earth as a whole seems to have been almost continuous, even though there have been times of relatively slow growth and times of rapid growth. As it is knowledge of certain kinds that produces the growth of knowledge in general, we have here a very subtle and complicated system, and it is hard to put one's finger on the particular elements in a culture which make knowledge grow more or less rapidly, or even which make it decline. One of the great puzzles in this connection, for instance, is why the take-off into science, which represents an "acceleration," or an increase in the rate of growth of knowledge in European society in the sixteenth century, did not take place in China, which at that time (about 1600) was unquestionably ahead of Europe, and one would think even more ready for the breakthrough. This is perhaps the most crucial question in the theory of social development, yet we must confess that it is very little understood. Perhaps the most significant factor in this connection is the existence of "slack" in the culture, which permits a divergence from established patterns and activity which is not merely devoted to reproducing the existing society but is devoted to changing it. China was perhaps too well-organized and had too little slack in its society to produce the kind of acceleration which we find in the somewhat poorer and less well-organized but more diverse societies of Europe.

The closed earth of the future requires economic principles which are somewhat different from those of the open earth of the past. For the sake of picturesqueness, I am tempted to call the open economy the "cowboy economy," the cowboy being symbolic of the illimitable plains and also associated with reckless, exploitative, romantic, and violent behaviour, which is characteristic of open societies. The closed economy of the future might similarly be called the "spaceman" economy, in which the earth has become a single spaceship, without unlimited reservoirs of anything, either for extraction or for pollution, and in which, therefore, man must find his place in a cyclical ecological system which is capable of continuous reproduction of material form even though it cannot escape having inputs of energy. The difference between the two types of economy becomes most apparent in the attitude towards consumption. In the cowboy economy, consumption is regarded as a good thing and production likewise; and the success of the economy is measured by the amount of the throughput from the "factors of production," a part of which, at any rate, is extracted from the reservoirs of raw materials and noneconomic objects, and another part of which is output into the reservoirs of pollution. If there are infinite reservoirs from which material can be obtained and into which effluvia can be deposited, then the throughput is at least a plausible measure of the success of the economy. The gross national product is a rough measure of this total

throughput. It should be possible, however, to distinguish that part of the GNP which is derived from exhaustible and that which is derived from reproducible resources, as well as that part of consumption which represents effluvia and that which represents input into the productive system again. Nobody, as far as I know, has ever attempted to break down the GNP in this way, although it would be an interesting and extremely important exercise, which is unfortunately beyond the scope of this paper.

By contrast, in the spaceman economy, throughput is by no means a desideratum, and is indeed to be regarded as something to be minimized rather than maximized. The essential measure of the success of the economy is not production and consumption at all, but the nature, extent, quality, and complexity of the total capital stock, including in this the state of the human bodies and minds included in the system. In the spaceman economy, what we are primarily concerned with is stock maintenance, and any technological change which results in the maintenance of a given total stock with a lessened throughput (that is, less production and consumption) is clearly a gain. This idea that both production and consumption are bad things rather than good things is very strange to economists, who have been obsessed with the income-flow concepts to the exclusion, almost, of capital-stock concepts.

There are actually some very tricky and unsolved problems involved in the questions as to whether human welfare or well-being is to be regarded as a stock or a flow. Something of both these elements seems actually to be involved in it, and as far as I know there have been practically no studies directed towards identifying these two dimensions of human satisfaction. Is it, for instance, eating that is a good thing, or is it being well fed? Does economic welfare involve having nice clothes, fine houses, good equipment, and so on, or is it to be measured by the depreciation and the wearing out of these things? I am inclined myself to regard the stock concept as most fundamental, that is, to think of being well fed as more important than eating, and to think even of so-called services as essentially involving the restoration of a depleting psychic capital. Thus I have argued that we go to a concert in order to restore a psychic condition which might be called "just having gone to a concert," which, once established, tends to depreciate. When it depreciates beyond a certain point, we go to another concert in order to restore it. If it depreciates rapidly, we go to a lot of concerts; if it depreciates slowly, we go to few. On this view, similarly, we eat primarily to restore bodily homeostasis, that is, to maintain a condition of being well fed, and so on. On this view, there is nothing desirable in consumption at all. The less consumption we can maintain a given state with, the better off we are. If we had clothes that did not wear out, houses that did not

depreciate, and even if we could maintain our bodily condition without eating, we would clearly be much better off.

It is this last consideration, perhaps, which makes one pause. Would we, for instance, really want an operation that would enable us to restore all our bodily tissues by intravenous feeding while we slept? Is there not, that is to say, a certain virtue in throughput itself, in activity itself, in production and consumption itself, in raising food and in eating it? It would certainly be rash to exclude this possibility. Further interesting problems are raised by the demand for variety. We certainly do not want a constant state to be maintained; we want fluctuations in the state. Otherwise there would be no demand for variety in food, for variety in scene, as in travel, for variety in social contact, and so on. The demand for variety can, of course, be costly, and sometimes it seems to be too costly to be tolerated or at least legitimated, as in the case of marital partners, where the maintenance of a homeostatic state in the family is usually regarded as much more desirable than the variety and excessive throughput of the libertine. There are problems here which the economics profession has neglected with astonishing singlemindedness.

My own attempts to call attention to some of them, for instance, in two articles, ³ as far as I can judge, produced no response whatever; and economists continue to think and act as if production, consumption, throughput, and the GNP were the sufficient and adequate measure of economic success.

It may be said, of course, why worry about all this when the spaceman economy is still a good way off (at least beyond the lifetimes of any now living), so let us eat, drink, spend, extract and pollute, and be as merry as we can, and let posterity worry about the spaceship earth. It is always a little hard to find a convincing answer to the man who says, "What has posterity ever done for me?" and the conservationist has always had to fall back on rather vague ethical principles postulating identity of the individual with some human community or society which extends not only back into the past but forward into the future. Unless the individual identifies with some community of this kind, conservation is obviously "irrational." Why should we not maximize the welfare of this generation at the cost of posterity? "*Après nous, le deluge*" has been the motto of not insignificant numbers of human societies. The only answer to this, as far as I can see, is to point out that the welfare of the individual depends on the extent to which he can identify himself with others, and that the most satisfactory individual identity is that which identifies not only with a community in space but also with a community extending over time from the past into the future. If this kind of identity is recognized as desirable, then posterity has a voice, even if it does not have a vote; and

in a sense, if its voice can influence votes, it has votes too. This whole problem is linked up with the much larger one of the determinants of the morale, legitimacy, and "nerve" of a society, and there is a great deal of historical evidence to suggest that a society which loses its identity with posterity and which loses its positive image of the future loses also its capacity to deal with present problems, and soon falls apart. ⁴

Even if we concede that posterity is relevant to our present problems, we still face the question of time-discounting and the closely related question of uncertainty-discounting. It is a well-known phenomenon that individuals discount the future, even in their own lives. The very existence of a positive rate of interest may be taken as at least strong supporting evidence of this hypothesis. If we discount our own future, it is certainly not unreasonable to discount posterity's future even more, even if we do give posterity a vote. If we discount this at 5 per cent per annum, posterity's vote or dollar halves every fourteen years as we look into the future, and after even a mere hundred years it is pretty small – only about 1 1/2 cents on the dollar. If we add another 5 per cent for uncertainty, even the vote of our grandchildren reduces almost to insignificance. We can argue, of course, that the ethical thing to do is not to discount the future at all, that time-discounting is mainly the result of myopia and perspective, and hence is an illusion which the moral man should not tolerate. It is a very popular illusion, however, and one that must certainly be taken into consideration in the formulation of policies. It explains, perhaps, why conservationist policies almost have to be sold under some other excuse which seems more urgent, and why, indeed, necessities which are visualized as urgent, such as defence, always seem to hold priority over those which involve the future.

All these considerations add some credence to the point of view which says that we should not worry about the spaceman economy at all, and that we should just go on increasing the GNP and indeed the gross world product, or GWP, in the expectation that the problems of the future can be left to the future, that when scarcities arise, whether this is of raw materials or of pollutable reservoirs, the needs of the then present will determine the solutions of the then present, and there is no use giving ourselves ulcers by worrying about problems that we really do not have to solve. There is even high ethical authority for this point of view in the New Testament, which advocates that we should take no thought for tomorrow and let the dead bury their dead. There has always been something rather refreshing in the view that we should live like the birds, and perhaps posterity is for the birds in more senses than one; so perhaps we should all call it a day and go out and pollute something cheerfully. As an old taker of thought for the morrow, however, I cannot quite accept this solution; and I would argue, furthermore, that tomorrow

is not only very close, but in many respects it is already here. The shadow of the future spaceship, indeed, is already falling over our spendthrift merriment. Oddly enough, it seems to be in pollution rather than in exhaustion that the problem is first becoming salient. Los Angeles has run out of air, Lake Erie has become a cesspool, the oceans are getting full of lead and DDT, and the atmosphere may become man's major problem in another generation, at the rate at which we are filling it up with gunk. It is, of course, true that at least on its microscale, things have been worse at times in the past. The cities of today, with all their foul air and polluted waterways, are probably not as bad as the filthy cities of the petrochemical age. Nevertheless, that fouling of the nest which has been typical of man's activity in the past on a local scale now seems to be extending to the whole world society; and one certainly cannot view with equanimity the present rate of pollution of any of the natural reservoirs, whether the atmosphere, the lakes, or even the oceans.

I would argue strongly also that our obsession with production and consumption to the exclusion of the "state" aspects of human welfare distorts the process of technological change in a most undesirable way. We are all familiar, of course, with the wastes involved in planned obsolescence, in competitive advertising, and in poor quality of consumer goods. These problems may not be so important as the "view with alarm," school indicates, and indeed the evidence at many points is conflicting. New materials especially seem to edge towards the side of improved durability, such as, for instance, neolite soles for footwear, nylon socks, wash and wear shirts, and so on. The case of household equipment and automobiles is a little less clear. Housing and building construction generally almost certainly has declined in durability since the Middle Ages, but this decline also reflects a change in tastes towards flexibility and fashion and a need for novelty, so that it is not easy to assess. What is clear is that no serious attempt has been made to assess the impact over the whole of economic life of changes in durability, that is, in the ratio of capital ill the widest possible sense to income. I suspect that we have underestimated, even in our spendthrift society, the gains from increased durability, and that this might very well be one of the places where the price system needs correction through government-sponsored research and development. The problems which the spaceship earth is going to present, therefore, are not all in the future by any means, and a strong case can be made for paying much more attention to them in the present than we now do.

It may be complained that the considerations I have been putting forth relate only to the very long run, and they do not much concern our immediate problems. There may be some justice in this criticism, and my

main excuse is that other writers have dealt adequately with the more immediate problems of deterioration in the quality of the environment. It is true, for instance, that many of the immediate problems of pollution of the atmosphere or of bodies of water arise because of the failure of the price system, and many of them could be solved by corrective taxation. If people had to pay the losses due to the nuisances which they create, a good deal more resources would go into the prevention of nuisances. These arguments involving external economies and diseconomies are familiar to economists, and there is no need to recapitulate them. The law of torts is quite inadequate to provide for the correction of the price system which is required, simply because where damages are widespread and their incidence on any particular person is small, the ordinary remedies of the civil law are quite inadequate and inappropriate. There needs, therefore, to be special legislation to cover those cases, and though such legislation seems hard to get in practice, mainly because of the widespread and small personal incidence of the injuries, the technical problems involved are not insuperable. If we were to adopt in principle a law for tax penalties for social damages, with an apparatus for making assessments under it, a very large proportion of current pollution and deterioration of the environment would be prevented. There are tricky problems of equity involved, particularly where old established nuisances create a kind of "right by purchase" to perpetuate themselves, but these are problems again which a few rather arbitrary decisions can bring to some kind of solution.

The problems which I have been raising in this paper are of larger scale and perhaps much harder to solve than the more practical and immediate problems of the above paragraph. Our success in dealing with the larger problems, however, is not unrelated to the development of skill in the solution of the more immediate and perhaps less difficult problems. One can hope, therefore, that as a succession of mounting crises, especially in pollution, arouse public opinion and mobilize support for the solution of the immediate problems, a learning process will be set in motion which will eventually lead to an appreciation of and perhaps solutions for the larger ones. My neglect of the immediate problems, therefore, is in no way intended to deny their importance, for unless we at least make a beginning on a process for solving the immediate problems we will not have much chance of solving the larger ones. On the other hand, it may also be true that a long-run vision, as it were, of the deep crisis which faces mankind may predispose people to taking more interest in the immediate problems and to devote more effort for their solution. This may sound like a rather modest optimism, but perhaps a modest optimism is better than no optimism at all.

1 Ludwig von Bertalanffy, *Problems of Life* (New York: John Wiley and Sons, 1952)

2 Richard L. Meier, *Science and Economic Development* (New York: John Wiley and Sons, 1956)

3 K. E. Boulding, "The Consumption Concept in Economic Theory," *American Economic Review*, 35:2 (May 1945), pp. 1-14; and "Income or Welfare?," *Review of Economic Studies*, 17 (1949-50), pp. 77-86

4 Fred L. Polak, *The Image of the Future*. Vols. I and II, translated by Elise Boulding (New York: Sythoff, Leyden and Oceana, 1961)