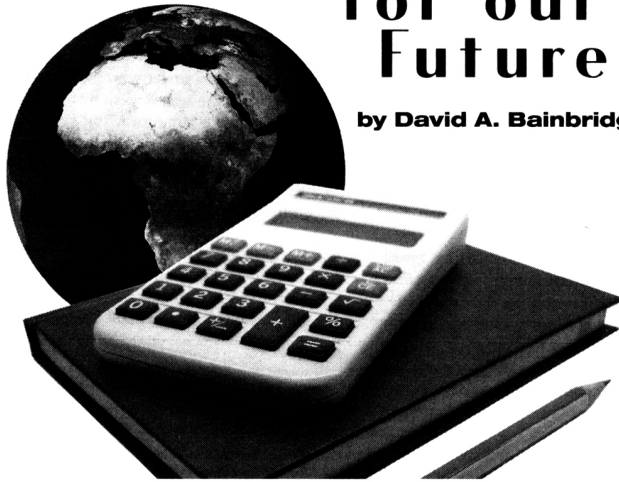


Sustainability: Accounting for our Future

by David A. Bainbridge



"Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."
— World Commission on Environment and Development, 1987

For as long as humankind has been on Earth, we have changed the planet. Most of these changes, both intentional and unintentional, have been damaging to the environment and have reduced the value of nature's capital and services. It seemed that there was always someplace new to go, so the need for careful accounting was not recognized.

The new reality is clearly visible in photographs from space, where gray urban areas spread into green natural areas with tentacles, like a fungus or disease. We all contribute to the problem, and a look at our individual ecological footprint can help us understand what we need to do more efficiently. Begin now with The Earthday Network Footprint Calculator at www.earthday.net/footprint.

The good news is that there have been enough successes to demonstrate that we can do much better. This is essential in California and beyond, where in many communities, serious problems of water shortages, limited renewable energy supplies, economic inequality and limited opportunity persist. We know from experience that we can build homes and structures that use 80 percent less energy and are more comfortable, subdivisions that use 50 percent less energy and build

Better accounting will play a crucial role in this transition to a more sustainable future, and this effort can also provide an engaging theme for revitalizing our educational system. True cost accounting will help eliminate the free riders and the transfer of social and environmental costs to the poor and to future generations. Enormous taxpayer subsidies to destructive and damaging activities will also be reduced.

Let your elected officials know that you insist on policies and programs that will:

- Protect future generations
 - Make the market as complete and transparent as possible through true cost accounting
 - Help the consumer understand true costs
 - Make the market as fair as possible
 - Reward beneficial actions
 - Make harmful actions costly and illegal
 - Make polluters pay, not victims or taxpayers
 - Be conservative in assessing risk
 - Remove perverse incentives for waste (take away subsidies)
 - Criminalize the worst environmental and social crimes
 - Support school and community sustainability programs
- ## And don't forget to:
- Live within your means
 - Enjoy friends, family, and community
 - Respect, study, enjoy and embrace the natural world

Many products will cost more when these subsidies are removed, but as prices more closely reflect true costs, the demand for low-price, low-quality goods and services will fade away. Consumers will seek out high-quality, custom-tailored products that will last a very long time, be a joy to use, and maintain good value. In addition, new companies will emerge that substitute services for goods so that consumers do not have to own everything. Flexcar is a good example. Its members

"Sustainability: Accounting for our Future" continued from page 19

reduced their annual mileage by 40 percent. In 2007, the reduction in mileage from Flexcar reduced pollution emissions by an astounding 14 million pounds.

The rules of the economy can be changed so that the incentives, rewards and expectations favor sustainable activities. Rather than being based on greed, destruction, and fear, the economy can be grounded in opportunity, equity, hope and satisfaction. Investments can be made for long-term growth in value, instead of gambled on highly leveraged speculation and Ponzi schemes. True cost accounting and transparency will help rebuild, reform and transform the American economy and the global marketplace.

The challenge will be to make the transition to true cost accounting and full transparency as smooth and rapid as possible. It will not be easy because powerful corporations, a handful of very wealthy families, and politicians benefit from the current market inequities and injustice. To inspire change and support innovation we will all need to learn more about real world economics and true cost accounting.

As the eminent British economist Arthur C. Pigou suggested early in the last century, the market will fail unless it includes all costs. Yet most markets remain quite imperfect and incomplete, considering that only a small subset of the total cost (and value) in most transactions. The work of most classical economists falls into the category my mentor Tod Neubauer called "precisely wrong." It is precise, but wrong because the currently counted costs of production, transport, marketing, overhead, sales, profit (the internal costs) may be less than the uncounted costs of pollution, health impacts, loss of biodiversity, resource depletion, and global warming (external costs).

These external costs include death, disease, degradation of ecosystems, loss of biodiversity, and increased pests. If these costs are included in the market (however imperfectly) many of our worst problems would disappear literally almost overnight. The newly recognized concept of ecosystem goods and services includes many positive economic benefits that are also excluded from current markets, social/political decision-making, and investment decisions. Trees planted along streets, for example, provide sound control, air cleaning, health benefits, and reduced air conditioning and heating costs that far outweigh the costs of sidewalk damage, damage from falling branches, and maintenance.

When the government assumes responsibility for external costs, it further distorts the market. It is not enough that the party who caused the problem is not charged, but the victims are often compensated by taxpayers, making them less likely to attempt to recover from the guilty parties in court. Eliminating these government subsidies can save billions of dollars every year.

Far more complex public external cost fees may be needed to add true costs in the market price. A carbon emission fee would be a good example. These fees can be used to repair damage to public goods, ecosystems and communities and better relate cost to activity. Hospitals, for example, would receive money from gas taxes to cover the cost of medical care for uninsured motorists. Eradicating subsidies and adding impact fees could enable us to eliminate income taxes for everyone earning less than \$100,000 a year. As our accounting improves, we will all start to make the right choices because they will be the least expensive option. To make this transition, we will need a strong democracy and the commitment of every concerned citizen. It is up to you.

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