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## **Frugality, Intrinsic Value of Nature, and Wellbeing Oriented Businesses**

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I suggest three key ideas that are crucial to change the economic paradigm towards an economy oriented to the common good based on solidarity and fairness. These are frugality in consumption and production, acknowledging the intrinsic value of nature, and developing wellbeing oriented businesses.

### **(1) Frugality in Consumption and Production**

Today the most advanced economies create a huge ecological overshoot, and use far more environmental resources and space than their fair earth-share would indicate. Herman Daly (2008) has argued that frugality should precede efficiency if we are to achieve sustainability. Efficiency alone is not a solution for downsizing the material part of our overgrown economies. “An improvement in efficiency by itself is equivalent to having a larger supply of the factor whose efficiency increased. More uses of the cheaper factor will be found. We will end up consuming more of the resource than before, albeit more efficiently. Scale continues to grow.” (Daly, H. 2008: 222).

Frugality implies rebalancing the material and spiritual values in economic life (Bouckaert, L., Opdebeeck, H. and Zsolnai, L. (Eds.) 2008). This may lead to the rehabilitation of the substantive meaning of “economic” and to the revival of the corresponding logic of sufficiency.

Karl Polanyi (1977) introduced the basic distinction between the formal and the substantive meanings of the term ‘economic’. The formal meaning springs from the means-ends relationship and brings the scarcity definition. On the other hand, the substantive meaning points to “the elemental fact that human beings, like all other living things, cannot exist for any length of time without a physical environment that sustains them” (Polanyi, K. 1977: 12)

The substantive meaning reflects the patent dependence of humans on nature and their fellow beings for their livelihood. Thomas Princen (2005) argues that we need to move away from an economy built around the principles of profit maximization and efficiency towards one based on the logic of sufficiency. I agree with this and think that achieving frugality and sufficiency “requires more substantive organizational forms that radically alter the underlying structure of currently dominating configurations of formal economizing. This means (...) introducing smaller scale, locally adaptable, culturally diverse modes of substantive economic activities”. (Zsolnai, L. 2002: 661)

## (2) Acknowledging the Intrinsic Value of Nature

Mainstream economics fails to acknowledge the intrinsic value of nature. It suggests valuing environmental goods and services on the basis of a market value determined by competing economic actors. The value of the elements of nature is calculated by using the „willingness to pay” principle or shadow price techniques. But the value of natural entities cannot be calculated merely on the basis of their usefulness for humans. Price is a poor and often misleading model for assessing the value of natural entities. John Gowdy and Carl N. McDaniel (1995) demonstrated that the value of natural entities cannot be determined by the market mechanism.

There is no algorithmic solution to nature’s allocation problems. Joan Martinez-Allier showed that ecological and social values are basically incommensurable. (Martinez-Allier, J. et al. 1998) Decisions and policies related to nature and society require making qualitative and multiperspective considerations and the proper use of wisdom.

## (3) Developing Wellbeing Oriented Businesses

With their exclusive focus on wealth creation mainstream businesses produce large-scale ill-being for humans and for non-human nature that endangers the survival of humanity on Earth.

Sustainable development will require economies centered on wellbeing (Costanza, R. et al. 2018, Korten, D. 2020). It implies transforming businesses into progressive social institutions which respect nature, think of future generations and take into account the common good of society. (O’Higgins, E. and Zsolnai, L. 2017)

Wellbeing oriented businesses aim to create human and ecological well-being in an interlinked way. Their business models and operations are based on well-being creation instead of wealth creation. Wealth is a stock defined in one-dimensional, financial terms. Wellbeing is a flow defined in holistic, multidimensional terms that include material and non-material aspects of human and non-human functioning.

The trajectory of businesses toward wellbeing creation is a multifaceted, complex phenomenon. It can be assessed only by multidimensional measures using criteria related to appropriate ownership structures and effective governance mechanisms, adequate incentive systems, organizational identity, relationships with the local community, technology employed, production systems, supply chains, information systems, investors, and net income generated.

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