EmE

The Ethical Market Economy

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Summary

To survive together with more than eight billion persons, they must spend their money only on goods and services that leave the environment unharmed. In that case, they not only live in harmony with Nature but they also maintain a business relationship with each other because they use their money to achieve a common goal. To guarantee a successful business, the trading partners must have a financial interest in safeguarding the integrity of Nature.

The money that governments now lay out on repairing the damage to the environment caused by mankind's current lifestyles, can be used to pay the consumer a *Pilot* wage to prevent such damage. It is less costly to maintain anything in good condition than having to constantly resolve to reparations. So, money will be saved by paying the consumer to keep the environment in good shape. These savings could be so large that people have to pay less taxes

The government can pay the consumer thirty per cent of the ecological value of each item purchased. - The ecological value of a product is the percentage of the cost of production made for goods and services that used natural resources in a sustainable manner. - To receive 30% of the ecological value of each purchase in diminuation of the price to be paid gives the consumer personal and financial interests to buy only goods and services with the highest ecological content. Such a wage liberates the demand of billions of consumers for 100% ecological ware.

As soon as a state pays *Pilot* wages, the Ethical Market Economy exists.

Introduction

In today's economy, children have no chance to live as long as their parents or grandparents because the economy is kept going with the macroeconomic practice of *sustaining **growth** in its development*. The continuous increase in merchandise for sale implies that more is produced. What is produced is offered on the market, sold, bought and consumed.

As a result of this practice, more than eight billion persons are inadvertently depleting more of this planet's limited resources, whilst the productive enterprises worldwide continue, just as inadvertently, to absorb more of what Earth has to offer.

Just as one's own funds run out because they are bounded, so do the planet's supplies. They are being depleted and used up every year earlier in the year, as evidenced by the continued occurrence of the *Earth Overshoot Day* earlier in the year. *Earth Overshoot Day marks the date when humanity's demand for ecological resources in a given year exceeds what Earth can regenerate in that year*. In 2021, the Overshoot Day was July 29, in 2022 it was on July 28, in 2023 on Agust 2 and in 2024 on August 1.[1]

Moreover, the methods and techniques used to get companies to produce more, have disturbed balances in the dynamic processes of Nature.

The *World Weather Attribution* summed up their study about the floods in Germany and Belgium on July 13 and 14, 2021 as follows: « *All available evidence taken together,*

[1] www.overshootday.org/about-earth-overshoot-day/

including physical understanding, observations over a larger region and different regional climate models give high confidence that human-induced climate change has increased the likelihood and intensity of such an event to occur and these changes will continue in a rapidly warming climate »[2].

Nature continues to react in this way until humanity lives in harmony with its needs.

Maintaining growth in the development of the economy implies that mankind keeps on living as today until it has destroyed itself.

It is no longer possible to ensure mankind's survival with the macroeconomic practice of maintaining growth in the development of the economy.

Maintaining growth can be transformed in *preserving the integrity[3] of Nature in the development of the economy*. It is one way to ensure a *sustainable development* defined as "*development that meets the needs of the present without compromising the ability of future generations to meet their own need"*[4].

Only the consumer can effectively and efficiently keep the Earth in good condition, because the consumer can decide to spend one's money on products that leave the environment in a sound state.

Give the consumer a financial interest in maintaining ways of living that safeguard the integrity of Nature and one will do this consciously, with pleasure and out of self interest. Knowing that living in harmony with Nature is a good way of living, one will want to continue living in this way.

Part I. The Ethical Market Economy in practice

I.1 What is the Ethical Market Economy?

The Ethical Market Economy consists of the interlinked flows of merchandise and money that leave the environment with all its flora and fauna intact. This co-existence happens when all consumers spend all their money exclusively on living in ways that keep their surroundings unimpaired. There is then no ecological problem. Mankind lives in harmony with "*The physical world and everything in it (such as plants, animals, mountains, oceans, stars, etc.) that is not made by people"*[5].

This harmony between man and the environment can be imagined under two conditions:

i) Producers prove scientifically which percentage of their costs of production has been spent

[2] www.worldweatherattribution.org/heavy-rainfall-which-led-to-severe-flooding-in-western-europe-made-more-likely-by-climate-change/

[3] Merriam Webster definition of integrity https://www.merriam- webster.com/dictionary/integrity

[4] IISD (International Institute for Sustainable Development) https://www.iisd.org/about-iisd/sustainable-development

[5] Merriam Webster, Meaning of nature https://www.merriam-webster.com/dictionary/nature

on goods and services that kept the environment unblemished. This percentage determines

the ecological value of each item they produce;

ii) The state pays the consumer thirty percent of the ecological value of every product purchased. This wage drives the consumer to buy only goods and services with the highest ecological content.

Producers give this money to the consumer by deducting it from the price to be paid of each purchase.

Producers do not have to identify the recipient of the *pilot* wage in their accounting, because the amount they give as *pilot* wages can be justified with the ecological value of the merchandise sold.

The *pilot* wage is a *net* wage defined as *free from all charges or deduction*[6].

Taking back a part of this wage, e.g., as income taxes, could increase environmental costs, because the consumer might be less motivated to pay attention to buying only ecological ware. Taxing *pilot* wages is counterproductive. It would be like wanting money back from the baker because his croissants are delicious.

The state reimburses the producer with the disbursed amounts of *pilot* wages. The state has then information about the ecological values of market ware and is well informed to assume responsibility.

I.2 Reactions of the consumer and the producer

It is in the *personal* and in the *financial interest* of the consumer - two *powerful drives in human behaviour* - to buy only products with the highest ecological value when one earns one's *Pilot* wage.

To satisfy the demand for continuously higher ecological values of merchandise, producers compete by increasing this value until they offer on the market only what has left the earth unimpaired.

I.3 The funds needed to pay the consumer

The *pilot* wages can be funded with the capital that states use for repairing the damage to the Earth caused by mankind's current lifestyles.

All this money becomes available while the consumer leaves the surroundings more and more scatheless.

Governments can therefore progressively transfer this capital to consumers in order to motivate

[6] Merriam Webster, definition of "Net" (Entry 3 of 5) https://www.merriam-webster.com/dictionary/net

them to live with products that do not harm the environment.

The *pilot* wages will not be a burden for the state, because the sum of paid *pilot* wages will turn out to be less than the one used to pay for the environmental repair costs.

Money will even be saved, because it is less costly to maintain anything in good condition than having to constantly resolve to reparations. These savings could be so large that people might have to pay less taxes

I.4 The necessity to reward the consumer with a *Pilot* wage

The consumer should have a financial interest in maintaining the integrity of Nature, because one's participation in doing so implies that one spends one's funds to live in pursuit of a common goal. Trying to accomplish a result together with many other persons, with one's costs of living implies a business relationship in which one cooperates in reaching the goal. An appropriate return for one's efforts is required to guarantee a successful enterprise.

I.5 The importance of the financial interest of the consumer in EmE

In this study, consumers receive a third of the ecological value of every purchase as *pilot* wage. The average percentage of income taxes was assumed to be about that part of revenues. When products with hundred percent ecological contents are readily available, consumers can earn one third of their annual costs of living by spending their money only on produce with the maximum ecological content.

The income taxes could then become like deposit money for the resources utilised in maintaining one's ways of living. That deposit can be earned back by respecting Nature in one's life styles.

I.6 Services rendered by the consumer in the Ethical Market Economy

Every time the consumer spends money, one influences entrepreneurs in their decision-making about what to offer on the market.

In the EmE, the influence of consumers is bundled by pursuing together the goal of keeping the Earth in excellent condition. How producers achieve this result, becomes clear from the information about how they achieved the ecological value of their merchandise. This information becomes available every time a consumer earns a part of his *Pilot* wage. The producers who offer the highest ecological values are thus known. Data about the tools and techniques they use to achieve this result are accessible.

The proofs about the ecological quality of what has been bought could in principle be used to develop a "*cahier des charges"* for an industry that must deliver goods and services which keep the natural resources in a sound state.

When earning one's *Pilot* wage, the consumer turns funds for costs that could have been prevented into revenues for preventing these expenses.

The consumer keeps environmental costs negligible.

Part II. How does the Ethical Market Economy work in everyday life?

II.1 How is the price of merchandise determined in the Ethical Market Economy?

The essence of the Ethical Market Economy is that with every acquisition the consumer gets 30% of the ecological value of the purchased product in reduction of the price to be paid. - The Ecological Value (EV) of a product is the scientifically proven percentage of its cost of producing, incurred for goods and services that have used natural resources in a sustainable way. -

Suppose there are three bread shops. In two of them, the loaves are sold in the Ethical Market Economy, EmE. So those loaves have a specific Ecological Value. In the third shop, the loaves are sold without an Ecological Value. That shop does not do business in the EmE. In shops not doing business in the EmE, the ecological quality of merchandise is sometimes indicated by bio certificates.

Suppose in one EmE shop a bread costs 100 Money Units (MU) per kilo and has an Ecological Value (EV) of 50%. In the second EmE shop, the same bread costs 110 MU per kilo but has an EV of 70%.

In the first shop, one gets 15 MU in rebate on the price of 100 MU.
(30% of 50% of 100 MU or 0.3 x 0.5 x 100 = 15 MU)
So that bread costs the consumer 100 - 15 = 85 MU.
In the second shop, that bread costs 86.90 MU.
(110 - 0.3 x 0.7 x 110 = 110 - 0.21 x 110 = 110 - 23.10 = 86.90)
Which bread does the everyday consumer buy?

One probably pays 2.2% more
(86.90 : 85.0 = 1.0223, which is 0.022 more than 85.00. 0.022 x 100 = 2.2%)
to obtain bread with a 20% higher EV because one instinctively knows that living with natural products is healthier and also better for the planet. The average consumer prefers 70% EV, instead of 50%.

How much more is the average consumer willing to pay for higher EV? That answer is determined by the importance one attaches to living with nature's products.

At a price of 120 MU, one pays 94.80 MU for that bread.
(120 - 0,21 x 120 = 120 - 25,20 = 94,80)
For a bread that is 20% more expensive and has a 20% higher EV, the consumer pays 11.5% more (94.80 : 85.00 = 1, 1153 i.e. 11.5% more).

The mechanism of Supply and Demand will determine the relationship between Price and Ecological Value. Since the baker also prefers to live with food from nature, he knows he can charge higher prices for loaves with higher EV. He also knows that his price increase weighs less heavily on the consumer because of the 30% the consumer gets from the EV of each purchase. A 20% increase in the selling price of a loaf with a 20% higher EV means an increase of only 11.5% of the purchase price of that loaf for the consumer.

Knowing the difference between the increase in price for the producer, the sales price, and that for the consumer, the purchase price, the baker will scan the market to know how much more he can charge for a loaf of bread with a higher EV than for one with a lower one. In doing so, he will of course take into account the price that competing bakers charge.

One can also buy bread from the shop that does not give an Ecological Value for its loaves, the shop that does not do business in the EmE. That shop cannot prove how ecological the loaves on offer are. - Bio certificates do not give proof of the ecological quality of a product. - So that shop will certainly not be able to charge a higher price than that of a loaf from the EmE shop. The appeal of living with natural products is too great for that.

II.2 How does the cost of production develop while the Ecological Value increases?

Are costs of production for loaves with a higher EV not much more than those of loaves with a lower EV? If so, the 20 MU higher price of the bread with a 70% EV will not be a pure profit for the baker. That is right. In that case, again the mechanism of Supply and Demand reinforced by Competition will determine how much more a seller can charge for a loaf with a high EV than for a loaf with a lower EV. Remember that the increase in the selling price is greater than that of the purchase price due to that 30% of EV received by the consumer.

It is not certain that higher EV also implies higher raw material costs. In the EmE, natural resources are used with optimal efficiency. Increasing efficiency in the use of stocks will not require more raw materials to increase the EV. So the cost of those substances at higher EV will not increase.

However, the cost of production may rise because new techniques, methods, machines, tools have to be developed and used to achieve ever higher EV.

The price bakers will ask for their bread will be determined by the Supply and Demand mechanisms.

The practise of rewarding the consumer with a percentage of the ecological value of each purchase, eventually establishes a balance between the financial and personal interests of the consumer and the similar interests of the producer in developing an economy in which only products are traded that are increasingly hundred percent ecological.

II.3 How is the ecological value scientifically verified and used?

In the Ethical Market Economy, the Ecological Value of any product is scientifically proven. The proof has to be given by every producer. The claims of producers will be checked for their scientific value by a scientific organisation.

Such an organisation will have access to all the inventions, discoveries, new methods and techniques by which producers have increased the ecological value of their merchandise.

With all this information, the organisation can compile a “Cahier des charges” for an industry that provides the goods and services with which humans can live without harming the environment. Such a “Cahier des charges” is necessary because an industry must be built as

soon as possible that provides goods and services with which mankind lives in harmony with Nature.

However, the creative producers must be rewarded for anything they discover with which they have increased the EV of their products otherwise they will not want their discoveries to be made available to other producers.

The creative producers could be rewarded in a market where people could choose the best methods that improved ecological values.

For example, the number of times a particular method was used could determine a creative producer's reward.

Perhaps there are better methods for incorporating the discoveries of all producers as quickly as possible into a "Cahier des charges" for an entire industry. It is the work of academic institutions such as business schools to find out.

Initially, all claims about the percentage of Ecological Value should be accepted in good faith. For more expensive products such as passenger- and cargo cars, one can count on competitors keeping an eye on claims made by carmakers. The same monitoring mechanism exists in smaller communities.

II.4 Where is the staff who can do the work of checking the scientific value?

This scientific organisation must be operational when the Ethical Market Economy is launched or before.

At present, many people work for the European Commission (EC) to determine what standards to produce ecologically producers must meet. One such EC group regularly publishes the email 'Have Your Say'. This contains a list of proposals to improve the ecological quality of goods and services.

Once the EmE functions, the work of those people will be redundant because producers will achieve better results in their research on increasing EV than the minimum which EC standards require. That EC staff can be employed in an organisation to verify claims of producers about the ecological value of their merchandise on their scientific values. Many governments have departments in which standards are set for producers. So there will be more than enough people available to immediately develop such an organisation on a large scale in cooperation with academic institutions.

II.5 Where does the EmE begin?

It can start in societies in which the information system is integrated. Our current society is one in which the information system is sufficiently integrated. Consumers' shop card can therefore be used to account quickly for that 30% of EV they receive. Moreover, it makes sense to launch the EmE in those societies because it is the lifestyles of the consumers therein that cause the most ecological problems.

Part III. Theoretical basis of the Ethical Market Economy

III.1 Three new concepts

Throughout the research three ideas became clear.

III.1.1 The sense of development

The money spent on maintaining ways of living is a considerable part of the flows of funds in the economy. The goal with which the consumer disburses this money gives a sense to these streams of funds.

In the present economy, the consumer spends one's money consuming more because one must sustain growth in development.

In the EmE, consumers buy everything with the highest ecological contents. To satisfy their demand producers strive to increase the ecological percentage of products.

The goal consumers pursue is adopted by producers and their efforts to achieve the result give a sense to development.

III.1.2 The principle of using resources efficiently

In order to achieve optimum efficiency in the utilization of resources, costs should be managed at the source of the income that covers these costs. This principle implies that the person who earns an income should manage the costs covered by the earnings, in order to make the most efficient utilization of materials.

Producers have proven this concept to be correct. They deduct their costs of production from their revenues of the sales of the goods and services they fabricate.

Producers maximize the difference between these revenues and costs, their profits, by maintaining an optimum efficiency in the utilization of the resources in their production processes. The money they spend on them is a part of their costs of production.

The consumer earns an income of which one spends a part to maintain one's ways of living. This money represents one's costs of living. To achieve an optimum efficiency in the utilization of resources in the ways of living of consumers, the costs of living must be managed with the intention to obtain this efficiency.

In the EmE, the consumer spends one's money only on produce with the highest ecological quality, thus with the highest efficiency in utilizing resources.

III.1.3 The responsibility of the consumer in the operation of a market economy

The consumer has to sustain the development of the economy with the goal of safeguarding the integrity of Nature for this and following generations.

This responsibility flows forth from the function of the consumer in the operation of a market economy; consumers absorb the merchandise that is offered on the market with the purchases they make.

Consumers sustain the productive activities in the economy when they do their shopping. They steer these activities in a direction when they choose what they buy. The consumer is the *pilot* who can guide the economy to advance in ways that stay within Nature's borders.

The consumer exercises this responsibility in the EmE in a formal way because one leaves an accounting of one's purchases by means of the available proof of the ecological quality of the goods and services one bought.

Part IV. Interest of the producer in the Ethical Market Economy

IV.1 Immediate interests

IV.1.1 A large demand

In the EmE, a demand exists for goods and services with which people want to live while keeping flora and fauna around them healthy and in balance with Nature's requirements.

All consumers will eventually be driven to spend all their money, all the time, only on items that leave the physical world around them unspoiled.

IV.1.2 A permanent demand

When hundred percent ecological ware is normal, the consumer will be content and generations of consumers will buy it for the rest of their lives.

IV.2 Medium term interest

Ecological goods and services are still relatively scarce. Research has to be done to create them. The amount of research money will be considerable but needed in order to get the economy going in the direction of being in harmony with Nature.

IV.3 Long term interest

By keeping the natural resources intact in order to satisfy the demand of the consumer, producers sustain the sound conditions of their working capital, because it is composed of natural resources.

IV.4 Ethical base of the economy

When producers offer wares in the EmE, they give an ethical base to the economy. Economy is then no longer defined as the science of sharing limited resources to satisfy unlimited demands but as the science of sharing limited resources to satisfy all natural[7] demands.

Part V. Consequences of the Ethical Market Economy

V.1 Immediate consquences

V.1.1 Splitting of the socio-economic power

When a consumer goes shopping in the EmE, one takes the socio-economic power apart. One does so by dissociating the social power of income of the producer and the economic power of expense of the consumer.

The producer gives shape to society. All the forms and volumes one can see around are there because producers earned an income by creating them. Their power of income is a social one.

With the economic power of expense the consumer can live well in flourishing surroundings by accounting with scientific proofs made available by the producers for the ecological quality of one's acquisitions.

With the economic power of their combined expenses, consumers can safeguard the sound condition of the planet.

V.1.2 Ethical currents in the economy

In the Merriam-Webster dictionary, integrity is defined as:

1: firm adherence to a code of especially moral or artistic values **: INCORRUPTIBILITY**
2: an unimpaired condition **: SOUNDNESS**
3: the quality or state of being complete or undivided **: COMPLETENESS**

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[7] natural

adjective

1. 1.
   existing in or derived from nature; not made or caused by humankind.
   "carrots contain a natural antiseptic"
   2.
   in accordance with the nature of, or circumstances surrounding, someone or something.
   "sharks have no natural enemies"

Definitions from Oxford Languages

Since integrity is defined not only as something which is sound and complete but also as having sound moral principles, the integrity of anything can be kept only with integrity.

With their economic power of expense, consumers will maintain ethical currents in the economy out of personal and financial interest to safeguard the integrity of Nature.

The social power of income of producers, who give economy an ethical base and the economic power of expense of consumers, who are the source of ethical currents in the economy, will interpenetrate in a dynamic equilibrium in which the integrity of Nature can be kept.

V. 2 More consequences

V. 2.1 No poverty and peace

The demand for products with the highest ecological value and thus with the highest efficiency in utilizing resources, could rather quickly trigger less resources to be necessary for satisfying demands.

Any increase in efficiency in utilizing resources in the lives of billions of consumers has as a result that so much more is made available with the same input that there will be enough for everybody on Earth to live decently.

There will be no more poverty. People will be sharing compatible levels of well being. People who share satisfaction live in peace.

This will be true particularly when an optimum efficiency in the use of resources in the lives of consumers has been secured.

Peace might then be permanent.

Conclusion

The findings about the cause and consequences of the current situation in which the planet finds itself, make it clear that it is no longer possible to ensure mankind's survival with the macroeconomic practice of *maintaining* growth *in the development of the economy*.

That practice can be replaced with the one of *preserving the integrity of Nature in the development of the economy*.

Only the consumer can effectively and efficiently ensure that the Earth stays in excellent condition, because the consumer can decide to spend one's money only on products that leave the environment unblemished.

The state can afford to reward the consumer with a *pilot* wage in order to drive one to guide the flows of money and merchandise in the economy in staying within the limits of Nature.

Which percentage of the ecological value of a purchase should make up the *pilot* wage?

The answer to that question should ensure that the integrity of Nature is indeed safeguarded by consumers continuously adapting their ways of living in an effort to share an existence in a state of balance with the physical world around them.

The choice left is to agree about the part of the ecological value of a purchase that makes up the *pilot* wage and to reward the consumer with it.

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