Sustainability and the Performance Economy

4.1 In praise of chaotic self-regulating systems

The dominating concept of sustainable development encompasses three dimensions of welfare – economic, environmental and social. It has its origin in forestry management and is of a static nature.

Most systems with a lasting success, by contrast, are of a dynamic nature and based on self-regulation or chaos as the main principle – witness the market economy, nature, democracy and innovation.

4.1.1 The market economy as a dynamic self-regulating system

The market economy self-regulates itself through numerous consumers choosing from what is offered in the marketplace by the numerous butchers, bakers and candlestick-makers going about their business offering their individual wares in competition against each other – the invisible hand of Adam Smith.

However, many industrial and service companies inherently tend towards concentration, growth and monopoly where there is a higher ‘return on effort’ (the monopoly rent) than in competitive markets, and their lobbyists try to restrain the uncontrolled development by demanding ‘foreseeable politics’, which is another term for order. Yet, the stability sought must lead to an abrupt discontinuity later on, according to Nobel Prize Laureate Ilya Prigogine; therefore, politicians and economic actors alike should resist order.

Agreed, there is a delicate balance between strict regulation and self-regulation with checks and balances. The credit crises, or financial bubble, of 2008 happened despite a high degree of regulation, partly because the supervisors and regulators did not use their powers, with the exception of Lebanon. Its banking supervisor was the only one to...
ban investments into sub prime and other toxic papers, and as a result the financial centre of Beirut sailed through the storm largely unhurt. Could the application of regulation be more important than ‘perfect’ regulation?

The Performance Economy leads to a more competitive and sustainable development of societies by focusing on economic incentives for self-regulation of economic actors. It creates a path towards a sustainable future by favouring the internalisation of the costs of risk and waste, systems solutions and sufficiency over product efficiency, virtuous loops over vicious loops and innovation over incremental improvements. But it may not be immune to regulation.

4.1.2 Nature as a chaotic self-regulating system

Nature’s strategy is based on entropy and decentralisation, diversification and recombination and on permanent change and innovation. Nature is a truly chaotic system in which attractors can develop at random because the system is biased towards diversity and entropy. Ilya Prigogine showed in his research that if nature’s chaotic order is frozen by strong attractors, this stability heralds abrupt discontinuity and danger. Nature will always survive because it has no leadership. When the renowned physicist Alfred Einstein realised this, he complained that ‘God plays with dice’. Yes, chaos means eternal life! Are politicians’ efforts to protect the environment through detailed legislation motivated by a distrust for chaos more than by a desire to increase people’s quality of life through radical innovation? Ecology – the science of nature as it is – is increasingly replaced by ecologism, a view of nature as experts think it ought to be. One sign of this are the hundreds of eco-labels meant to guide consumers but creating confusion instead of clarity.

4.1.3 Society as a dynamic self-regulating system

Society is, in principle, also chaotic. Most policymakers therefore see their role in creating order through top-down regulation (see Section 1.3). Yet, most regulations lack adaptability because they specify technical details instead of stipulating desired performance. Legislators generally prefer centralised command-and-control solutions and short-term goals even if they cannot impose them. And they distrust the long-term creativity of chaotic systems, such as the Swiss direct democracy with its preference for subsidiarity – decision taking at the lowest possible level. The subsidiarity principle, not centralisation, has been the European Union’s objective, but evolution goes the opposite way.