

What's the Alternative?

Will you can talk about money and lifestyles of eternal economic growth?
— Göta Thunberg

By Joanna Santa Barbara | 2020-04-01 12:00:00

More economic growth is incompatible with holding the temperature under a 1.5 degree increase.
2. Social inequality is incompatible with an adequate response to the climate crisis.

I need to justify these propositions, but then I want to move safely on to examining alternatives to a growth-driven economy. For most of us, the current economic system has been the unquestioned background to our lives. The only alternative we've known has been authoritarian state communism, whose failure in our times seemed highly desirable. What else could there be?

ECONOMIC GROWTH IS INCOMPATIBLE WITH HOLDING THE TEMPERATURE UNDER A 1.5 DEGREE INCREASE.
Endless economic growth is logically incoherent. Three per cent per annum is conventionally said to be a desirable rate of growth in our global gross domestic product (GDP). This would entail doubling the size of the economy (national or global) every 23 years, producing more and more stuff, providing more and more services. Our world is finite, with diminishing productive land, fish in the ocean, minerals that can be mined, land and aggregate for construction. How much more stuff can you use? How many more services can you absorb? You'd need to use eight times as much stuff and almost eight times as many services by the end of the century. You'd be sharing it with a few billion more people on the planet, but the prospect of endless expansion is obviously preposterous.

This ever-expanding provision of goods and services is what produces the greenhouse gases that have brought us to the climate crisis. We are already in a possibly irreversible trouble. We have resisted and argued with the idea of limits to growth for decades, most dramatically one it was modelled by the Club of Rome in 1972. It's early time we faced up to the need to slow economic activity that it proceeds at a steady pace within Earth's biophysical limits.
We are continually improving our efficiency or deriving more utility from each unit of carbon emissions by using renewable energy (a little) and using less energy and less material to produce the goods we want. This is the idea of "decoupling" economic growth from growth of carbon emissions. But every smart innovation in decoupling is offset by growth in both population and affluence. Atmospheric greenhouse gases continue to rise.

CAN GREEN GROWTH SOLVE OUR PROBLEMS?
The World Bank and the Organisation for Economic Co-operation and Development are promoting the idea of "green growth" — increasing the rate of innovations in eco-efficiency and pricing carbon as a route out of our ecological emergency.
But not to fast, does it stand up to scrutiny? Hinkel and Kallis' examined models of global resource use under green growth conditions, including very high taxes on carbon (up to nearly \$600 per tonne) and fast rates of technological innovation. They reported that "unless reductions in line with 2°C are only feasible if global per growth close to less than 0.5%, and reductions for 1.5°C are only feasible if a degrowth scenario".

Let us encourage every technological advance that will increase eco-efficiency, and let us promote high taxes on carbon, but green growth will not by itself do the job. We need to plan for an economy where gross production operates within all planetary boundaries, while providing for everyone's wellbeing and maintaining continuous improvement in goods and services.

However, we are left with the problem of countries where productivity is so low that even better distribution of wealth would not provide an adequate level of basic needs for a proportion of the population. These countries need to grow to productivity. This will necessarily produce emissions which will require greater emissions reductions by wealthy countries to compensate.

SOCIAL INEQUALITY IS INCOMPATIBLE WITH AN ADEQUATE RESPONSE TO CLIMATE CHANGE.
Global income and wealth inequality has been increasing since the 1970s surge of market liberalism and minimization of government risk in welfare. The differences are steep. The top 10% receives half the world's income, the bottom 50% receives 7%. Consumption-based emissions follow roughly the same profile, skewed slightly by the fact that basic needs goods are more carbon intensive than luxury goods.

In higher income countries, rising inequality is associated with higher carbon emissions. This is thought to be due to the drive to consume goods that signal higher personal status, such as sports utility vehicles and fashion clothing. The motivation, unfortunately, is irrational, as most other persons in an individual's social network are engaged in the same race for status. It leads to hyperconsumption very far beyond basic needs, excessive greenhouse gas emissions are the outcome. More broadly, rising inequality is also associated with longer work hours and longer child rearing, both of which stimulate consumption and emissions.

Carbon pricing as a mitigation measure works well in a relatively equal society. In an unequal society, the extra price for fuel and heat and coal houses and for transport may take the provision of basic needs for poor people below an acceptable level, while for rich people the price is not enough to change their emissions-related behaviour. We have seen the angry reaction in the French "Gilets Jaunes" movement when a levy on petrol and diesel fuels angered low income workers dependent on cars.

Social trust and solidarity are lower in an unequal society. This will tend to reduce resentment from the relatively poor at any climate mitigation measures with a social cost. It will seem that those have been imposed on them by the better-off elite. "Higher inequality strengthens the power of the rich to make decisions, set agendas and increase wealth values". In addition, it may lower the capacity of a society to come together in solidarity to try to force a government to take proactive climate action.

Economic growth has been held out as the answer to inequality — an unequal share of a bigger pie. In reality, it has worsened it. Of global economic growth between 1995 and 2008, the poorest 60% received 4% of additional income, the richest 10% accrued 55%. If growth is not the answer to inequality, we need change in our economies that ensure a more just distribution of wealth and income.

SO IF UNEQUAL GROWTH DRIVEN ECONOMIES ARE WORSENING CLIMATE CHANGE AND PROVIDING ADEQUATE RESPONSES TO IT, WHAT ARE THE ALTERNATIVES?
We might begin by asking what an economy is for. We might suggest that it is to support the wellbeing of humans-in-society-in-nature. An economy's success should be measured by this dimension.

We need changes in three aspects of our economies: the *size* of the economy must be brought within Earth's biophysical limits; just distribution of the products of this smaller economy is needed; we need efficient allocation of resources from nature to production so that the greatest human wellbeing is obtained from them. These changes can come about in democracies only by significant shifts in how we citizens construct our world and what we value. We have seen such a shift in the latter part of the last century, towards neoliberal valuing of market forces and minimal government.

Now we need a shift towards valuing the integrity of nature and adjusting human activities to restore and preserve it; and towards realising that it is within our power to create a more equal society and world. In allocating resources, basic needs for all people should trump luxuries for the well-off. Valuing ruggedity and simplicity rather than the hyperconsumption of status competition would help. George Monbiot's words, "private sufficiency, public luxury" suggest an emphasis on "the common" — the provision of shared spaces such as libraries, schools, museums, parks, community gardens, sports grounds, meeting places, performance spaces, walking and cycling paths, nature conservation areas, beaches, lakes, air quality, a wellbeing economy of sufficiency.

THE SIZE OF THE ECONOMY
In what follows I refer to interventions and policies in a cursory manner, with minimal explanation. There is a large literature on most items.

- Stop burning fossil fuels and shift to at least 100% renewable energy. This measure is heavily resisted because it threatens to shrink the economy. It will, however, if not built, it will not replace the quantities of compact energy we have enjoyed in the unique fossil fuel age.
- Stop government subsidies to mining activity.
- Electrify transport and machines for production.
- Reduce consumption of energy and materials generally, urban planning to support active transport and savings on other infrastructure, efficiency in use of materials.
- Support the idea of "circular economy" in which "waste" streams of energy, water and materials from one activity become feedstock for another.
- Tax or price unwanted economic activities such as carbon emissions to bring them within Earth's biophysical limits.
- Set limits to constrain use of resources, such as fishing quotas which countries can afford to make changes.
- Regenerative farming, especially on small-holdings, reduces throughput of materials and energy.
- Tax advertising rather than subsidise it as we do currently. Advertising encourages consumption, especially of luxury goods — an unwanted economic activity.
- Consider individual tradable quotas of greenhouse gas emissions applied to our personal economic activity.
- Reduce working hours to reduce material and energy throughput.

- Just distribution**
- Set minimum and maximum levels for income and wealth as advocated by Thomas Piketty?
 - Better distribution of capital assets: Employee Shareholder Ownership Programs, Community Shareholder Ownership Programs.
 - Land tax rather than income tax. This would address the problems of affordable housing and urban sprawl.
 - Lifelong education, health care, recreational opportunities, training for job transitions.
 - Reduced working time to ensure the availability of livelihoods in a steady-state economy.

Efficient Allocation
In conventional economics, the market is the mechanism of allocation, driven by price and consumer preferences. But in the bigger picture of humans-in-society-in-nature, many goods essential to human survival and flourishing are non-market goods. Stable climate, air quality, natural beauty, ecosystem biodiversity, soil quality, water quality, erosion protection are among these.
More problematic still, some of these "goods" are under the control of national governments other than our own. Currently we all watch helplessly as the Brazilian Amazon and Indonesian forests are destroyed, knowing that this affects the future of our children.

The structure of our current economies was arranged when none of these public "goods" appeared to be in short supply. No financial resources were allocated to them. Now that these goods are severely threatened we are hesitant to apply a "polluter pays" principle, slowly and unevenly, and to allocate public resources to their protection. The allocation of public and private resources to ecosystem protection and restoration of course depends on people's desire to pay for these "goods". This appears to be generic, particularly in the form of carbon offsets paid by individuals and corporations.

However, in the absence of global environmental governance, we can't apply the "polluter pays" principle to the Brazilian or Indonesian governments. However, we can consider a "beneficiary pays" principle of international subsidies for ecosystem preservation. Governments or local authorities would be paid to keep deterioration below an agreed level.

HOW DO WE GET FROM HERE TO THERE?
Global economic growth is currently slowing. In an economic structure dependent on growth, this is bad news. Are we winning sustained post-growth? What is needed is a planned transition to a steady state economy of sufficiency. Ianough in *Just, Civil and Human Level Climate Change, Capitalism and Sustainable Wellbeing* suggests a transition in three phases.

The first phase is characterized as Green Growth and comprises familiar measures: decarbonise the economy through carbon pricing, through regulation (eg vehicle emissions standards, stopping coal mining and through investments in renewables and other low-carbon infrastructure, as well as in climate adaptation. We are entering this phase now. However, the decarbonisation commitments of nations made in the Paris Agreements are far from enough to achieve a less than 1.5 degree temperature increase.

The second phase is decarbonising and reducing consumption by such policies as taxing luxuries, regulating advertising, and raising carbon at the household level. Universal public provision of education, health and other goods serves both to reduce inequalities, and to lower emissions in the provision of these services. The tradable personal carbon allowance card would be a tool serving the goal of this phase. The by-words for this phase are "sufficiency, enough".

The third phase is the achievement of a steady state economy, a post-growth state. This attempts to move forward the planning of human population growth by providing for needs to control their fertility, and to ensure their education and employment.

As this poster redistribution of wealth needs to verisimilitude kick in through policies such as taxation of inheritance, wealth, land and capital gains. The monetary system would become less growth-dependent by a transition from current high levels of public and private debt by diminishing the ability of banks to lend many times the amount of money held in savings. There would also be a transition from the current process of money-creation by the private banking system to money-creation by a central public bank.

CONCLUSION
We can find a "safe, just space for humanity" — to use Kate Raworth's terms, between the Sphul of an inhabitable Earth and the Charivale of insupportable human deprivation for some. There are promising ways of accomplishing this. It will require lots of us to take the trouble to understand how to do this and get behind action to move in this direction.

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ENDNOTES AND SOURCES

1. In the common parlance, when we mention transactions which there is no exchange of material "goods" involve seller and buyer. Transactions such as hedge fund management, banking, law and trading, insurance, and other financial services, are not material goods, and are not traded in the market. However, they do involve exchange of money, and are not traded in the market. However, they do involve exchange of money, and are not traded in the market. However, they do involve exchange of money, and are not traded in the market.
2. Green growth is a term to describe a path of economic growth that uses natural resources in a sustainable manner. It is an alternative concept to traditional economic growth.
3. James H. Stock and George H. Hotelling, 2010, Is Green Growth Possible? *Ston Brook Environmental Economy*, <https://www.ston Brook.edu/~/media/Files/2010/02/2010-02-23-Stock-Hotelling-Is-Green-Growth-Possible.pdf>
4. *Shovel the Amazon to the Sea*, by Andrew Ross, 1992, The Earth Institute, Princeton University.
5. *Climate Change 2014: Impacts, Risks, and Adaptation*, Working Group II Contribution to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change, 2014.
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