‘De-Growth’ and its implications

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economics real wealth means well-being
environment lifestyles must become sustainable
society communities need power and influence

De-growth…but how much?

economics as if people and the planet mattered

- We (very optimistically) assume 450ppm CO_2 is needed to keep temperature rise below 2℃.
- Given the reduction of global carbon emissions that this implies, we then assume that the UK progressively moves to its fair share based on equal per capita emission rights by 2050
- This would require a 36 fold reduction in UK emissions from 617 to 17 Mt
- The maximum possible reduction in energy usage across the economy is estimated to be 9.5 fold from today
- The maximum possible reduction in the energy intensity of output is estimated to be 2.8 fold from today

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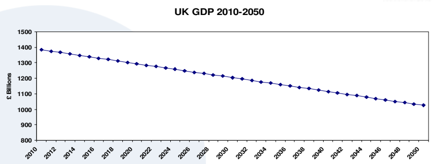
De-growth…but how much?



- Making the most optimistic assumptions possible in terms of energy usage and energy efficiency reductions:
- GDP in 2050 would need to fall by 25% from £1.38 tr. today to £1.025 tr. by 2050
- Given projected population growth, this equates to GDP per capita falling to £14,250 from £22,360.

The implications of this

- We need to value things differently = **revaluation**
- We need to share our resources more equally = **redistribution**
- We need to rebalance the role of the state, private sector and civil society = **rebalancing**
- We need to reinvigorate and make meaningful the principle of subsidiarity = **relocalisation**
- We need to learn new skills and re-learn old ones = **reskilling**
- We need to channel resources effectively to support a sustainable and equitable system = **economic irrigation**

‘Revaluation’

- Although GDP may have to fall it has always been a poor measure of societal ‘progress’
- We need to make the creation of real social and environmental value the central goal of policy-making
- This needs to be true for private as well as for public decision-making - market prices should reflect true social and environmental costs and benefits
- We need to make ‘good’ things cheap and ‘bad’ things very expensive – the opposite of what we have today
- Building real value requires us to accurately measure outcomes and to build these measures into the core of public and private decision-making

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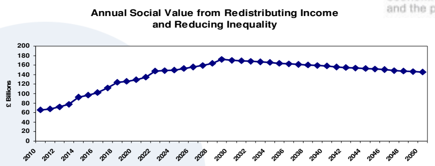
‘Redistribution’

- Redistributing of both **income** and **wealth** would create value as resources are moved from those who do not need them to those who do.
- This means a more progressive system of income tax and wealth/inheritance taxes to generate the funds to provide all citizens with an meaningful financial asset
- We will also need to redistribute **time**, sharing both employment and leisure more equally
- Finally, we should redistribute **ownership**, transferring shares to workers over time to reinvigorate cooperative forms of ownership and lay the foundations for a real ‘economic democracy’.

Social value creation to 2050



- £500 has little value to someone on £100K, but a lot to someone on £10K – redistributing income creates an average £90bn a year, or £3,750 bn. from 2010-2050
- Unequal societies have worse outcomes across nearly every social domain. Reducing inequality builds better societies but also lowers the costs of these preventable social problems by £50bn a year, or £2,000bn to 2050.

‘Rebalancing’

- Markets can be the best way to allocate resources but only when true social and environmental costs and benefits – or externalities – are priced in.
- But the market sphere needs to be more tightly drawn and rebalanced alongside the public space and core economy
- The state should be seen as ‘us’ and not ‘them’- a domain where we come together to achieve those things that are best done collectively
- The state is needed to provide public goods, to prevent inequalities from rising and to facilitate community life and the co-production of outcomes in areas such as health and education

‘Relocalisation’

- ‘Subsidiarity’ is essential to a ‘de-grown’ economy
- **Politically**, this means moving real power away from the centre to devolved democratic bodies and giving local people a real say in how this power is exercised.
- **Economically**, we need to determine what things are best produced locally, regionally, nationally and internationally.
- This means greater local self-sufficiency in some areas, combined with regional, national and international trade in others.
- Big is clearly not always ‘best’ but neither, necessarily, is small. What we need is appropriate scale and, crucially, a clear means of deciding what this should be.

‘Reskilling’

- Greater local production will require us to relearn many skills that have been forgotten
- From agriculture to manufacturing to the provision of local finance, returning to appropriate scale means equipping ourselves with the means to do so
- This is not just the case for the economy however - local decision-making based on active participation will be most effective when people are well informed about what makes their local economy tick and what makes public services able to achieve the best outcomes.

‘Economic irrigation’

- Subsidiarity implies raising and spending more taxes at the local level to balance national taxation
- In both cases, however, we need a shift from taxing ‘goods’ such as work, to taxing environmental and social ‘bads’ such as pollution and financial speculation
- For private finance, large-scale projects such as building a green energy and transport infrastructure should be funded through national level taxes and public money creation.
- For private credit we could link banks’ ability to create credit with the creation of social and environmental value, creating a ‘race to the top’
- Locally and nationally we need a restructured ‘ecology of finance’ of private, public and mutually owned institutions designed to meet needs.

The (very) big challenges

For this to be possible we need:

1. An equitable global deal on climate change, which moves towards equal per capita emission rights and provides developing countries with the finance to adapt to climate change and to fund a transition to a sustainable economy
2. To be able to accurately measure and price social and environmental ‘externalities’, both positive and negative
3. To understand how an economy that shrinks rather than grows could work at the macro level so as to produce positive social outcomes within environmental limits
4. To reinvigorate local, national and international politics
5. Real political will and cooperation within and between countries