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Global Economics for Growth and Survival: the Need for Fundamental Shifts in Economic, Social and Political Systems

Richard Margrave, PhD.[1]

1. Potomac Institute for Policy Studies, 901 N. Stuart St., Suite 900, Arlington, VA, 22203, USA. Email: richard@margrave.co.uk

Abstract
This paper examines the concept of a new paradigm that sees economic growth, social justice and environmental care advancing together and becoming the common sense of our age. Last year the G20 countries declared themselves committed to a sustainable economic future. The Copenhagen Accord allied at least 49 countries, and for the first time the US and China, to this cause but the radical plan for a greener brand of economics as put forward by the UK's Sustainable Development Commission asks far more of us than the relatively simple fiscal stimulus and sustainable economic packages that have grown up in response and through the recent financial crisis and recession. All around us we can see moves toward a more sustainable economic future but is it enough and will it actually be too late from the point of view of natural resources, threatened species and ecosystems?

Key words: climate change; economic growth; global economics; sustainable development.

This paper is entitled 'Global economics for growth and survival: the need for fundamental shifts in economic, social and political systems', with the emphasis upon growth *and* survival and the belief that whilst those two aims are not incompatible, the global community needs fundamentally to change the way it orientates towards its economies, social organisation and national and international political systems. This is of course a tall order with perhaps our very future survival as its prize.

I want first to look at the professed commitment to sustainable development of at least the G20 group of nations, to see the recent United Nations Copenhagen Accord on climate change in the context of the UK and Europe and to examine in detail some proposals that could help propel the global community into a more sustainable future. These aims are ably summed up by a politician who is currently in a wholly uncomfortable position in the UK facing a General Election in less than four months yet trailing badly in the polls, but the current Prime Minister, Gordon Brown said before taking over from Tony Blair that he wanted to see, "A new paradigm that sees economic growth, social justice and environmental care advancing together can become the common sense of our age." (1)

The view from the United Kingdom

What is the current view from the perspective of the United Kingdom? I will address the present UK government's position as represented by the Department for Environment, Food and Rural Affairs which I suspect will find common ground in the United States. The last two decades have witnessed a groundswell of opinion that the current model of economic development is unsustainable. We are living beyond our means – from the loss of biodiversity with the felling of rainforests, over fishing, to the negative effect our consumption patterns are having on the environment and the climate. Our very way of life is placing an increasing burden on the planet.

The government believes that, "The increasing stress we put on resources and environmental systems such as water, land and air cannot go on forever. Especially as the world's population continues to increase and we already see a world where over a billion people live on less than a dollar a day." (2)

"The goal of sustainable development policy from the UK government currently is to enable all people throughout the world to satisfy their basic needs and enjoy a better quality of life, without compromising the quality of life of future generations. Unless real progress is made toward reconciling these contradictions then we face a future that is less certain and less secure." (2) The UK government aims to make a decisive move toward more sustainable development, "Not just because it is the right thing to do, but also because it is in our own long-term best interests. It offers the best hope for the future." (2)

The Group of Twenty (G-20) Finance Ministers and Central Bank Governors.

The outcome of the G20 meeting in London last spring offers us the best measure or definition as to how the major global economies now define their economic approach to climate change, and the strength of their commitment to a more sustainable future. The G20 economies believed that the substantive commitments agreed to in London last spring added up to a clear path to Copenhagen and a global deal on a greener global economy.

As the UK government recognized, and I quote from their statement issued after the G20 summit,

> *"(The) momentum came from a point of principle: even in a summit on the economy, the environment cannot be left out. This was made explicit in the communiqué, with building a green and sustainable economy made one of the six core commitments of economic recovery." (3)*

> *"Countries agreed to 'make the best possible use of investment funded by fiscal stimulus programmes towards the goal of building a resilient, sustainable and green recovery.' " (3)*

The statement continued,

> *"Momentum came, too, from the recognition that a low carbon recovery is not just a way of preventing disaster ten or 20 years in the future; it is also an opportunity now." (3)*

The UK government continued,

> *"It is not a gospel of austerity, but prosperity. The move towards a low carbon economy can both boost demand and create jobs. Win-win options like improving energy efficiency can save families and businesses money at a time when budgets are increasingly tight." (3)*

> *"To help live up to that not just in the G20 countries but elsewhere as well, they asked the multilateral development banks to support developing countries as they move towards lower carbon economies."* (3)

The idea, with especially the commitment of the United States in London last spring, that there was sufficient momentum arising from the G20 summit to ensure a comprehensive and binding deal on climate change and sustainable economics proved illusory, as we shall see, but the G20 summit is evidence of the shift towards greener economics at the heart of the international community.

We may be critical in terms of moving forward but above all at the G20 summit there was an explicit commitment, and the first collective commitment from all the major countries, to find a deal.

United Nations Framework Convention on Climate Change (Copenhagen)

The approach to the UN sponsored global conference on climate change in Copenhagen in December 2009 was thus defined by the world's largest economies. The Copenhagen Accord (4) represents a default position on our desire for a more sustainable future. The wording of the Copenhagen Accord at least offers us a vision and a commitment from 49 countries in the world, or at least that default position as basically brokered between previously recalcitrant economies – thinking of those who failed to embrace the previous Kyoto Agreement – of China, South Africa, India, Brazil and the United States.

The Accord states, "...that climate change is one of the greatest challenges of our time." (4)

The agreement, the Accord, is a statement of political will,

> *"We emphasise our strong political will to urgently combat climate change in accordance with the principle of common but differentiated responsibilities and respective capabilities. To achieve the ultimate objective of the Convention to stabilize greenhouse gas concentration in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system, we shall, recognizing the scientific view that the increase in global temperature should be below 2 degrees Celsius, on the basis of equity and in the context of sustainable development, enhance our long-*

term cooperative action to combat climate change. We recognize the critical impacts of climate change and the potential impacts of response measures on countries particularly vulnerable to its adverse effects and stress the need to establish a comprehensive adaptation programme including international support." (4)

The Accord goes on to agree,

"*…that deep cuts in global emissions are required according to science…with a view to reduce global emissions so as to hold the increase in global temperature below 2 degrees Celsius, and take action to meet this objective consistent with science and on the basis of equity.*" (4)

"We should cooperate in achieving the peaking of global and national emissions as soon as possible, recognizing that the time frame for peaking will be longer in developing countries and bearing in mind that social and economic development and poverty eradication are the first and overriding priorities of developing countries and that a low-emission development strategy is indispensable to sustainable development." (4)

In its third section the Accord recognises that developing economies face a challenge of different proportions. The Accord spells out that,

"Adaptation to the adverse effects of climate change and the potential impacts of response measures is a challenge faced by all countries. Enhanced action and international cooperation on adaptation is urgently required to ensure the implementation of the Convention by enabling and supporting the implementation of adaptation actions aimed at reducing vulnerability and building resilience in developing countries, especially in those that are particularly vulnerable, especially least developed countries, small island developing States and Africa. We agree that developed countries shall provide adequate, predictable and sustainable financial resources, technology and capacity-building to support the implementation of adaptation action in developing countries." (4)

Post Copenhagen

The UK government found the outcome of the Copenhagen climate change conference disappointing in a number of respects. The Secretary of State for Energy and Climate Change, Ed Miliband reported to the House of Commons earlier this month that Copenhagen, "did not establish a clear timetable for a legal treaty, and that we do not yet have the commitments to cuts in emissions that we were looking for". (5) Yet he was optimistic for the future in that the Copenhagen Accord was agreed by the group representing 49 developed and developing countries that together account for over 80 per cent of global emissions. (5)

The Copenhagen Accord at least confirms the direction of travel – towards a more sustainable global economy in the following ways outlined by the UK Government. It endorses the limit of two degrees warming as the benchmark for global progress on climate change.

Unlike agreements before it, not just developed, but also all leading developing countries have agreed to make specific commitments to tackle emissions, to be lodged in the agreement by the end of January 2010. Also for the first time all countries have signed up to comprehensive measurement, reporting and verification of progress. And there are significant financial commitments made by the rich world to developing countries. This includes fast start finance worth $10 billion a year by 2012 – with a total of up to $2.4 billion from the UK – and specific support to tackle deforestation. In the longer term, the Accord supported the goal of $100 billion a year of public and private finance for developing countries by 2020.

The UK government sees these as important steps forward but wants to see more – more certainty and a greater scale of ambition. And from a much wider coalition of global economies – the 49 signatories so far is not enough. In addition it wants to deepen the commitments on emissions made by countries across the world.

Our leading UK expert on climate change, Lord Stern, has shown that if nations make the biggest emissions cuts in the range they have put forward, the global community can be within striking distance of the two degree pathway that is targeted, including the peaking of global emissions by 2020. (5) The belief is that this is in our economic as well as our environmental interest: greater certainty about emissions is necessary to provide the strongest incentive to business, including through the carbon price. As member of the European Union, the UK is working to persuade other countries to raise their ambition on emissions, which for Europe means, provided there is high ambition from others, carrying forward the UK government commitment to move from 20% to 30% reductions by 2020 compared to 1990.

The UK government wants to strengthen the Accord by further negotiating a legally binding framework. It recognises that the major developing countries have now made clear commitments but wants to "allay their concern that they will be constrained from growth and development by the demands of a legal treaty."(5) In this aim it feels it now has the support of a "coalition between some of the world's richest developed countries and some of the world's poorest developing countries, all of whom want a legally binding structure."(5) It also believes that to strengthen the Accord the richer countries must deliver on the promises made on fast start finance by 2012.

Finally, the exasperation that was the process of decision making officially taking place in plenary sessions where all 192 nations were involved in discussions has led the UK government to demand change and perhaps the formation of a 'representative' group of countries to run the process of negotiation. The Secretary of State reaffirmed the commitment, "...to strengthen and sustain the momentum behind the low carbon transition in the UK."(5)

He sees that building upon the government's low carbon plan, the policy on coal, and plans for nuclear energy, there will be further announcements in the lead up to the General Election on energy generation, household energy efficiency and transport. And following Copenhagen, as part of the work already ongoing on the roadmap to 2050, he is looking at whether further action is necessary to meet the UK's low carbon obligations.

Internationally, thanks in large part to the deadline of Copenhagen and the mobilisation behind it, every major economy of the world now has domestic policy goals and commitments to limit their greenhouse gas emissions: the US, China, Japan, Russia, Brazil, India, Indonesia, South Korea, Mexico, South Africa, and with the UK as a member state, the European Union. Throughout the world policy is now set to improve energy efficiency, to increase investment in low carbon power, to develop hybrid and electric vehicles and smart grids, and to reduce deforestation.

So while Copenhagen certainly did not meet the expectations of environmentalists nor unerringly point the way to a more sustainable global economy, it did, at least in the UK government's opinion, "see the start of a new chapter in tackling climate change across the world."(5)

In the view of the UK government,

> *"This global shift may not have yet found international legal form, but scientific evidence, public opinion and business opportunity have made it irreversible."* (5)

Where we want to be

The National Council for Science and Environment 'The New Green Economy' conference held 21 – 22 January 2010 in Washington D.C. includes a contribution from a fellow British academic Professor Tim Jackson of the University of Surrey. I commend you to his presentation and to his work as Economic Commissioner for the UK government's Sustainable Development Commission (SDC). His publications include a report for the Sustainable Development Commission, an arms length government agency, subsequently published as a book entitled '*Prosperity without growth: economics for a finite planet*'. (6)

I would like now to elucidate some of his work as a guide perhaps to discussions and decisions.

12 Steps to a Sustainable Economy

Building a Sustainable Macro-Economy

1. Developing macro-economic capability
2. Investing in public assets and infrastructures
3. Increasing financial and fiscal prudence
4. Reforming macro-economic accounting

Protecting Capabilities for Flourishing

5. Sharing the available work and improving the work-life balance
6. Tackling systemic inequality
7. Measuring capabilities and flourishing
8. Strengthening human and social capital
9. Reversing the culture of consumerism

Respecting Ecological Limits

10. Imposing clearly defined resource/emissions caps
11. Implementing fiscal reform for sustainability
12. Promoting technology transfer and international ecosystem protection (6)

The National Council on Science and the Environment's *The New Green Economy* and the Potomac Institute's Workshop (7) both examine the prospect of a greener economy at a time when the power and influence of the financial and banking global community was shaken to the core and in some cases, destroyed.

Such fiscal discord has led to the majority of us becoming largely unwilling shareholders in these institutions, to government and central banks intervening in our economies to a previously unheard of level, to fiscal stimulus packages that in many cases pay lip service to sustainability and perhaps, to a new opportunity to redress the failure of growth built upon debt-driven materialistic consumption.

Can we build a new consensus in global economies for growth and survival? What fundamental shifts in economic, social and political systems are necessary to achieve a sustainable future?

The SDC Report offers twelve steps to move us towards a more sustainable economy. They are radical in their impact.

1. Developing macro-economic capability

A sustainable future – for growth and survival – will not rely upon exponential growth targets and ever increasing material throughput. A new macro-economics for sustainability needs to be developed for which the SDC Report believes the tools have to be developed, "to explore different configurations of the key macroeconomic variables and to map the interactions between these and ecological variables." (6) It notes particular challenges with regard to exploring the investment demands associated with a sustainable economy, investigating the economic implications of strict resource or emission caps and evaluating the impact of changes in natural assets and ecosystem functioning on economic stability.

2. Investing in public assets and infrastructures

If we look around the world today we see that investment in jobs, assets and infrastructure can be more than a key component of economic recovery but also of a new macro-economics for sustainability. The SDC Report lists the targets which are all included in this current public investment:

> *"public sector jobs in building and maintaining public assets, investments in renewable energy, public transport infrastructure, and public spaces, retrofitting the existing building stock with energy and carbon saving measures, investing in ecosystem maintenance and protection, and providing fiscal support and training for green businesses, clean technologies and resource efficiency"*. (6)

3. Increasing financial and fiscal prudence

Prudence was a word associated with current UK Prime Minister Gordon Brown's long period as Chancellor of the Exchequer, so it is quite ironic now in his new post as Prime Minister that he has witnessed the near meltdown of the global financial system after a long period of economic growth fed by debt-driven materialistic consumption. The SDC Report calls for:

> *"a new era of financial and fiscal prudence needs to be ushered in to: reform the regulation of national and international financial markets, increase public control of the money supply, incentivise domestic savings, for example through secure (green) national or community-based bonds, outlaw unscrupulous and destabilising market practices (such as short selling), and provide greater protection against consumer debt."* (6)

4. Reforming macro-economic accounting

A sustainable economy needs to look at a changed measure of GDP, with less reliance on traditional output and consumption and more on economic wellbeing. The SDC Report suggests that these new measures will need, "to account more systematically for changes in the asset base, to incorporate welfare losses from inequality in the distribution of incomes, to adjust for the depletion of material resources and other forms of natural capital, to account for the social costs of carbon emissions and other external environmental and social costs, and to correct for positional consumption and defensive expenditures."

5. Sharing the available work and improving the work-life balance

Planning for a sustainable economy that is not predicated upon inexorable growth requires us to consider the jobs market, given that we need to maintain macro-economic stability and personal and familial incomes in the face of an economy that may not grow or even shrink in size. Here we can look to the European example, in France, Germany and Denmark, where reduced working hours and work life balances are woven already into the economic and social fabric. The SDC Report suggests that we need to look at:

> *"reductions in working hours, greater choice for employees on working time, measures to combat discrimination against part time work as regards grading, promotion, training, security of employment, rate of pay and so on, better incentives for employees (and flexibility for employers) for family time, parental leave, and sabbatical breaks."* (6)

6. Tackling systemic inequality

A sustainable economy needs better to address the rank inequality of incomes that exist in our societies.The SDC Report finds that "systemic income inequalities drive positional consumption, increase anxiety, undermine social capital and expose lower income households to higher morbidity and lower life satisfaction." It points to action that needs to build upon the existing policies for redistribution that exist around the world, calling for:

> *"minimum and maximum income levels, improved access to good quality education, anti-discrimination legislation, implementing anti-crime measures and improving the environment in deprived areas, addressing the impact of immigration on urban and rural poverty."* (6)

7. Measuring capabilities

By this we re-assess the way we measure the wealth of our nations, moving away from the simple calculation of economic output and consumption to include indices such as healthy life expectancy, educational progress, social wellbeing, trust and strength in the community, and social capital. The notion being that this wider view of 'prosperity' would better inform us, as the SDC Report suggests, "to adjust existing frameworks to account systematically for ecological and social factors". (6)

8. Strengthening human and social capital

The support, encouragement and development of the human, social and community fabric of our societies is a key component of the 'wealth' of our nations. It is the means by which an individual can enjoy wider and more astute participation in an increasingly sustainable economy and also a safeguard for a society better to withstand the sort of financial shock that we have recently endured with the banking crisis and recession. The SDC Report specifically calls for policies to create and protect shared public spaces, strengthen community-based sustainability initiatives, reduce geographical labour mobility, provide training for green jobs, offer better access to lifelong learning and skills, place more responsibility for planning in the hands of local communities and to protect public service broadcasting, museum funding, public libraries, parks and green spaces.

9. Reversing the culture of consumerism

Is this at all possible? A central tenet of global economic growth is that it exists to feed the ever increasing desire for more and better products and services – honed by slick advertising and compulsive marketing – in both the developed and developing world. There are those who believe materialistic consumption is damaging – both psychologically and socially – as well as voracious in its appetite for scarce and threatened resources. Here the SDC Report talks of a need systematically to dismantle incentives towards materialistic consumption and unproductive status competition. It calls for stronger regulation in relation to the commercial media, enhanced support for public sector broadcasting, more effective trading standards and stronger consumer protection – particularly on questions of product durability, sustainability and fair trade. It also suggests that we consider banning advertising to children, the establishment of commercial-free zones and times, and a funded right of reply to advertisers' claims.

Respecting Ecological Limits

The current exploitation of natural resources and impact upon eco-systems is not sustainable and there is a need to recognise this in planning clear limits on economic activity.

Again, the SDC Report suggests three policy strands to contribute towards that aim:

10. Imposing clearly defined resource/emission caps

Here the world has woken up but mainly because the economics of growth itself will be affected by dwindling natural resources and the need to secure new technologies. The G20 and the Copenhagen Accord accept that our future prosperity is tied fundamentally to recognising the ecological limits of economic activity. But as we have already seen far more progress needs to be made with a sustainable global economy, requiring the imposition of strict resource and emission caps. The SDC Report calls for,

> *"Declining caps on throughput should be established for all non-renewable resources. Sustainable yields should be indentified for renewable resources. Limits should be established for per capita emissions and wastes. Effective mechanisms for imposing caps on these material flows should be set in place."* (6)

Once these limits are set and agreed then they need to be built into the macro-economic frameworks suggested above.

11. Implementing fiscal reform for sustainability

Here the argument is for green taxation or to shift the burden of taxation from income on to scarce resources and emissions. Although there is an almost total reliance upon taxation of income around the world, experience has shown that tax reform can be based upon ecological principles. The incoming Labour administration of Tony Blair in 1997 made great play of this ambition but in practice the amount raised from green taxation has actually declined in the past thirteen years. The rest of Europe, especially Denmark and Germany, has made progress in innovative green fiscal policy.

Finally,

12. Promoting technology transfer and ecosystem protection

It was clear in Copenhagen that the challenge to sustainable economics comes from both the mature, growth-obsessed and aiming for full-employment economies such as the US to those economies that feel future rapid growth is their right as they continue to develop. The US had interesting bedfellows in the key agreement struck behind closed doors in Copenhagen with China, Brazil, India and South Africa. As the SDC Report makes clear,

> *"A key motivation for redefining the basis of prosperity in advanced economies is to make room for much-needed growth in poorer nations. But as these economies expand there will also be an urgent need to ensure that development is sustainable and remains within ecological limits."* (6)

Now the SDC Report goes on to suggest that there should be a global technology fund to invest in renewable energy, energy efficiency, carbon reduction and the protection of 'carbon sinks' such as forests, and biodiversity in developing countries.

Here perhaps there has been progress with the promises contained within the Copenhagen Accord but they fall short of the SDC Report's support for measures such as a "carbon/resource levy (payable by importers) on imports from developing countries or through a Tobin tax on international currency transfers". (6)

Conclusion

In conclusion, do we have a new paradigm that sees economic growth, social justice and environmental care advancing together and becoming the common sense of our age, in Gordon's Brown's words in April 2006?

Meaningful deliberations will obviously concentrate to a great extent upon the current experience in the United States and there will be those who know whether the G20 further commitment to re-form a dedicated group, the Major Economies Forum on Energy and Climate, hosted by the US State Department, is providing leadership in moves towards sustainability. We can see that the G20 countries declare themselves committed to a sustainable economic future, that the Copenhagen Accord allies at least 49 countries, and for the first time the US and China, to the cause, but that a radical plan for a greener brand of global economics as put forward by the UK's Sustainable Development Commission asks far more of us than the relatively simple fiscal stimulus and sustainable economic packages that have grown up in response and through the recent financial crisis and recession.

The politics of sustainability continues to grow apace, as we now witness the state moving in an attempt to win back the people's cash from a financial system with a seemingly unaltered dependence and support for bonus-driven performance culture. It is interesting to note the Wall Street Journal estimates bonus payments likely to be paid to staff amongst the 38 big US banks and securities firms to be $145 billion in 2009 whereas the ambition of the global Copenhagen Accord is to ensure public and private finance for developing countries of just $100 billion a year by 2020 (8). The key relationship is between developed and developing economies, but perhaps the old order model of economic growth, fed by consumer debt and materialism, and I might add pure greed, has been punctured at least a little by the financial crisis and recession. We can see moves toward a more sustainable economic future but is it enough and will it actually be too late from the point of view of natural resources, threatened species and eco-systems. The change required is radical indeed and the signs are that our progress is slow – painfully slow.

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Conflict of Interest

None.

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