

## Presentation at the Sustainable Living Festival 8<sup>th</sup> Feb 2020

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### Welcome

Welcome. Let me start by acknowledging the Wurrendjeri people and their leaders past and present.

As you all know we face a climate emergency and part of responding to that emergency involves changes to the economy, so we appreciate your engagement with this issue and your participation here today. My Name is Tim Thornton, I am the Director of the School of Political Economy here in Melbourne, and a Senior Research Fellow with the Economics in Context Initiative at the Global Policy Development Centre at Boston University. I will be providing an overview of the competing visions for a sustainable economy. Bel Matthews from La Trobe University will focus specifically on the Green New Deal and Jerry Courvisanos from Federation University will focus specifically on the Sustainable Development Goals. We will each speak for 15 minutes to allow for 15 minutes of Q&A. We are happy to chat with you afterwards if we can't fit your question in.

Sustainable economy is a big and interesting area. There is some debate, and indeed some uncertainty, about what a sustainable economy looks like and how we might transition towards it. Given this, it's important for everybody to evaluate the options for themselves and to be able to identify common ground and points of difference between positions. Towards this end we will send you some further readings and resources. These readings and resources also bring a level of nuance and qualification to the analysis that a brief 15-minute presentation necessarily cannot.

### An introduction to the three competing visions

Competing visions for a sustainable economy can be grouped under three *broad* categories:

- Green Growth
- Green New Deal
- The Steady-State and De-Growth Economy

First some caveats. The categories are a useful and intellectually defensible way to structure an initial examination of an otherwise bewildering diversity of ideas, models and claims. However, I would also freely admit that the categories are also somewhat of a simplification. Why? First, there is some internal diversity *within* these categories, and some overlap between them. For example, there are also capitalist and socialist versions of both Green New Deal and De-Growth. There is also some scope to combine these visions in an eclectic manner, nesting supposedly divergent approaches inside one another. For example, some aspects of De-Growth could sit quite comfortably inside certain types of Green New Deal.

In summary, the three-way categorisation I have adopted here is useful, but it should not blind us to the possibilities of synthesis and creative combination. Indeed, the categorisations are probably best seen as stepping stones towards exactly this.

## Green Growth

Two examples (among many): Ross Garnaut's recent book *Superpower: Australia's Low Carbon Opportunity* and the OECD's *Investing in Climate, Investing in Growth*

### Core features

- A belief that there is no tension between economic growth and environmental protection because technological progress and market signals and incentives can stop economic growth from damaging the environment.
- Private firms in pursuit of profit are understood to be financially motivated to use inputs more efficiently, and to minimise the waste they are required to dispose of.
- Firms are also understood to respond to increasing consumer demand for new products and greener version of existing products.
- Some diversity of views around the role of the state: pro-market, pro-business, regulation-light orientation (e.g. OECD) versus state-driven entrepreneurship (e.g. Maria Mazzucato)
- Little or no emphasis on genuinely radical restructuring of the economy or society: distribution of wealth and power, consumption choices (i.e. consuming less stuff), general (intrinsic?) characteristics of a capitalist (market) society are largely or completely ignored.

### Some criticisms

- Required rates of technological progress seen as unrealistic based on current trajectories.
- Evidence on 'de-coupling' of growth and environmental damage, thus far, varies between weak and non-existent (though note that past performance is not always a reliable predictor).
- Technological progress, by creating efficiencies that lower the costs of goods and services can sometimes lead to more consumption of that good or service (rebound effect) or frees up income to purchase other goods and services (backfire effect).
- Key Question 1. Can problems created by growth be solved by more growth?
- Key Question 2. Can problems created by technological progress be solved by more technological progress?

### Analysis

In regard to Key Question 1 (above), we need to ask 'Growth of *What?*' and think about what goods and services we need to *increase*, and those which we need to *decrease*. This might be more useful than simply thinking in terms of a homogeneous and monolithic 'growth' that is either the problem or the solution.

In regard to Key Question 2 (above), we need to ask what *sort* of technology? Developed by whom? controlled by whom? Funded by whom? Directed for the benefit of what and whom? Thinking about this situation in this manner might be more useful than simply arguing that a homogeneous and monolithic 'technology' is either the problem or the solution.

Technology might end up really making a big difference. For example, technology on renewable technology, battery storage and meat substitutes could be very helpful. If so, great! However, we

don't know if this will be the case or not, so it's very unwise to bet everything on the technology of the future.

Green Growth is not a sufficient response. However, it is nonetheless a *start*, and it may lay some of the groundwork and momentum for ambitious responses. Because it does not ask for radical restructuring of society or economy, or threaten the pursuit of economic growth, it *should* be relatively easy for politicians to sell (provided they are not totally corrupt, inept or stupid).

Not everybody would agree with this pragmatic strategy. One objection is that it is a type of half-measure for which there is no longer time given we are in a climate emergency. Another line of criticism is that, as a type of half-measure, it runs the risk of being a pressure release valve (rather than a momentum builder) for more substantial change. I appreciate and respect these arguments. Maybe they are right. However, I largely welcome the Green Growth strategies put forward by people such as Ross Garnaut given our current context. One of the key virtues of what people such as Garnaut are advocating is that, if successful, it could plausibly break the stranglehold that coal currently has over Australian politics. This would be no small thing. It would also send a signal to the world that Australia is at last doing *something* and its plausible (though of course, not certain) that early success with Green Growth would allow Australia to *quickly* transition towards something far more substantial...

## **Green New Deal (GND)**

### ***Core features***

Whilst a *well-constructed* GND should be able to absorb much of the *desirable* features of Green Growth (rather than like how one Russian Doll can be nested inside another), a genuine, full-blown GND is a far broader, more comprehensive and strongly progressive approach to sustainability.

The GND, at least in its capitalist form, is usually pro economic growth, though it is more supportive of policies to shape what that growth is actually made of. For example, a GND is compatible with things like quotas, rationing, and extensive government planning and regulation (all features of any economy that has ever been on a war footing). Job guarantees, universal basic income, universal basic services, and Keynesian-style macroeconomic management are also usually part of any genuine GND.

A GND welcomes and encourages any desirable technological progress, but does not depend on it.

We have provided you with a list of existing GND's to give you a better sense of what GND's look like, and could look like in Australia. This list is indicative rather than exhaustive. Do let us know of any research on the GND that you think is important.

### ***Criticisms***

GND's have been critiqued on various levels, depending on the precise nature of the GND. Let me speak to one of the more significant critiques: that offered by Eco-Socialists.

Eco-socialists often argue that *any* form of capitalism, even a very left Green New Deal Capitalism can never reach a point of environmental sustainability because harmful forms of economic growth (and various other ills like corporate corruption of the political processes and corporate corruption

of the media) are simply built into capitalism's DNA. For this reason Eco-Socialists argue many of the currently proposed Green New Deal will not succeed unless they become explicitly socialist (or post-capitalist – which seems to be just a polite word for some form of socialism?).

### **Assessment**

The eco-socialists may be right, they be wrong. However, my personal view is that we need not get into divisive debates concerning socialism versus capitalism, at least not now when there is so much to be done that is obvious and agreed upon. Furthermore, my hunch is that a sustainable economy occurs at a point of overlap between capitalism and socialism thus confounding the often shallow and unsophisticated arguments between some of the stauncher champions of both capitalism and socialism<sup>1</sup>.

For me, the task at this point in time is not to get bogged down in such debates, and instead concentrate on problems that *nearly all of us recognise must change*. For example, corporate corruption of our political system and ongoing misinformation in corporately controlled media. Whether you label such issues as the road to socialism, or simply see them as the recovery and extension of social democratic capitalism matters very little right now. Indeed, it may matter very little later. Social-democrats and eco-socialists have much scope to work together to achieve commonly agreed upon key goals. In other words, reformers and revolutionaries should look to their extensive common ground and neither group should get bogged down on claiming territory that is yet to be fully marked out and established as being both viable and desirable.

### **3. Steady State and De-Growth**

Both steady-state and de-growth visions of the economy argue that we need to move away from increasing economic growth. In other words, produce less goods and services.

The argument behind this is that the world's capacity to supply inputs to growth and absorb the waste products produced by growth is finite and already overstretched in many respects. Technology can only address this problem up to a point. Given this, we need to either keep the economy at a steady level (no-growth) or reduce it (de-growth). There are both capitalist and socialist formulations of the steady state, de-growth economies

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<sup>1</sup> Some basic definitions are useful at this point. Capitalism is understood here to mean any economy that is predominantly characterized by private ownership of firms and the use of markets to coordinate the interaction of those firms between themselves and between consumers. Socialism is understood to mean an economy predominantly characterized by collective ownership of firms (either in the form of state ownership, or ownership and management of each firm by those that work within that firm). Socialism may or may not rely primarily on markets to coordinate the interaction of those firms between themselves and between consumers. In putting forward this dualism, it is conceded that it has important limitations, including the fact that it does not speak to the detailed institutional flesh, blood, muscles, nerves and tendons that needs overlay the bare bones definitions I have offered here. Furthermore, the definition is mute on the role of polycentric governance whereby state governance, market governance and social governance often occur simultaneously in an overlapping and mutually supporting manner. Capitalism and socialism are notably diverse in practice, prompting us to always ask the question, what *type(s)* of capitalism and socialism are we talking about here?

There are detailed steady-state models that we have provided links for. We have also provided you with links to the work of De-Growth advocates such as Samuel Alexander.

### **Assessment**

I think it's entirely true that we cannot keep extracting inputs from the environment and putting waste back into the environment as we currently do.

It's reasonable and desirable that we explore if and how we can develop economies that are not hard-wired to having to increase the amount of goods and services they produce simply in order to avert crisis or stagnation.

If we could make the necessary changes it means we could all work less, have more leisure and concentrate on our own interests and connections with others. Writing in the 1940's this is where economists like Keynes thought by now we might have ended up. Instead, we find ourselves under a deeply flawed form of capitalism, neoliberal capitalism, that constantly requires us to produce more, consume more, take on more debt and tends to lessen our control over our own lives, our own economy and our own society.

### **Assessment**

Steady-state and de-growth are perhaps our long-term destination. However, my personal view is that we can't immediately move to them: they have to be transitioned to via a Green New Deal, which in turn might sometimes need to be transitioned to via Green Growth, notwithstanding that would be a second-best pathway.

More work and careful thinking and research on steady-state and de-growth also needs to be done. Towards, this end, my colleague Ben Curnow, who is here today, is about to undertake a PhD supervised by Jerry, myself and several others, where he will seek to develop a steady-state model of the Australian economy. Do let us know if you know of any way this research might be supported so that Ben could work on it full time.

### **What is to be done now?**

The world is at a challenging point in its history, but there is still a window of opportunity to avoid the worst excesses of a runaway climate change catastrophe. If we play it smart and work together I have no doubt we can succeed. In doing this, we obviously needed to be guided by the sage words of the ancient oracle Greta Thunberg "to be doing everything possible, with everybody possible" and to remember the anti-apartheid architect Nelson Mandela's observation that "everybody says its impossible, until it is done" which captures the fact that human beings have often surprised themselves by sticking to what they know is right.

Part of the task in front of us involves flushing out erroneous economic ideas and arrangements and replacing them with better ones. I hope our brief presentations today, and in particular the resources we have assembled for you can play some part in this process.