

Environmental Audit Committee Inquiry into the Green Economy



Response from Green House, the environmental thinktank

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Green House greatly welcomes the Environmental Audit Committee's inquiry into the Green Economy. This is our response.

Summary

- A 'green economy' is not a globalised market economy producing a slightly different range of products; a green economy would be an economy whose design was compatible with the primary constraint on human life: that we live within ecological limits.
- The central change that a green economy requires is from considering the economy, environment and society as intersecting but separate to recognizing that the economy is located within society, which is in turn embedded within the environment.
- A green approach to the economy would seek to move the target of our economy away from economic growth and towards flourishing, convivial human communities which do not threaten other species or the planet itself. In place of economic growth we should move towards a steady-state economy.
- As demonstrated by the report *Prosperity without Growth* by the Sustainable Development Commission, we reject the idea that 'business as usual' can lead to a sustainable future. The sorts of increases in energy and materials efficiency required to ensure our current level of consumption at a sustainable rate of resource use are simply not feasible.
- Permaculture principles are useful in guiding economic developments: for example, we will have more examples of closed-loop economics, where the consequences of our economic decisions impinge on us directly rather than being exported to other distant communities.
- In a green economy businesses will need to learn from the ways of nature, hence the importance of closed-loop production systems and biomimicry.
- A green economy is likely to be dominated by co-operative businesses, guided by humane and respectful principles and values, rather than corporations, legally constrained to maximize value for shareholders

- A green economy would not rely on lengthy supply chains for the provision of basic goods and resources, but rather would be based around a system of self-reliant local economies.
- A green economy is likely to focus more on livelihoods than simply on the labour-market, and opportunities should be made available for citizens to meet their own needs, especially by opening up access to land.

Background

GH1. The Committee has listed a series of themes upon which they invite evidence. Broadly speaking these are looking for medium term policies, say over 10 years, which will assist the development of a Green Economy. That is an understandable, sensible and practical approach, but we note too that the Committee has specifically not just sought views on these issues, but says that ‘more wide ranging responses are also welcome.’ This is largely a wide ranging response.

GH2. When setting off on a journey, and even when negotiating the first few miles, the most important thing is the ultimate destination. The ultimate destination in this case is the economy we want and will be part of in maybe fifty years time. It is worth examining the dominant paradigm about the supposed nature of that economy, as exemplified by the Stern Review:

- that globalisation and competition within free markets should and will continue and strengthen;
- that economic growth in real GDP will continue at around 2% per annum, and that this growth should be the principal aim of economic policy;
- that the UK can continue with a broad economic strategy of a dominant internationally focused financial sector, a large service sector, some high technology manufacturing and a small agricultural sector;
- that the energy sector in particular will be transformed by the widespread introduction of renewable technologies and the wider use of nuclear power so that energy remains cheap and plentiful;
- that we will find viable technological solutions to other environmental problems such as water supply, the effects of climate change, pollution, lack of space for housing and the threat of development to our wild places;
- that the UK economy will and should continue to occupy a powerful position in the world economy through the skills of its workforce and the UK’s political and military power;
- that the UK will continue to be able to import sufficient cheap food and animal feedstuffs so that combined with our own production our growing population can continue to eat as we do now;
- that continuing growth and high employment levels will allow most poverty to be eliminated in the UK without restraining higher incomes and wealth levels; and
- that continuing growth will allow a significant reduction in global poverty.

GH3. Green House believes that all these propositions are wrong. On the contrary we think the consequences of the financial and ecological crises we are living through will transform the UK economy over the next several decades into one which has the following characteristics:

- the onward march of globalisation will have been challenged by rising fuel prices and the consequences of climate change;
- the high cost and relatively limited availability of non-renewable energy and other finite material resources will have brought material growth in the economy to a halt, and with it growth in real money GDP;
- the challenges to globalisation will mean that in the UK we will need a more self-reliant economy, with more emphasis on primary and secondary sectors, and with a significant increase in the size of the agricultural and manufacturing sectors;
- that the other environmental problems that have been over-shadowed in recent years by climate change and carbon dioxide limitation are not all susceptible to technological fixes, and will constrain our way of life, for example in terms of how many houses we can build and how much water we can use;
- that agriculture and food growing generally will have become more significant to our national economy than at present, generating a significant increase in employment in farming, primarily organic farming, and leading to a greater number of people living in the countryside;
- that the UK's ability to take an excessive share of global resources will have been reduced;
- that the international pressures on our national economy will have raised serious questions about equality of incomes and wealth, and about the structure of the labour market, specifically about working hours.

GH4. This may look like bad news but we believe the contrary: that it is perfectly possible for all to live the good life in a smaller, thriftier, more equal and sustainable economy.

Discussion

GH5. This year marks the centenary of the birth of E. F. Schumacher: in the 36 years since he published *Small is Beautiful* we have seen an acceleration of species loss, rapidly rising carbon emissions, and the depletion of a range of essential resources. If the evidence of ecological damage were sufficient to change how the economy is structured, we would have expected to see a significant response on the part of policy-makers before now. We need to recognize that there are powerful interests that benefit from the existing structure of economic life, and that the question of establishing a green economy is one that is primarily about political economy rather than management.

GH6. Over the past few years the issue of climate change has moved from a peripheral concern of scientists and environmentalists to being a central issue in global policy-making. This is but one of many indications that our economy is in fundamental conflict with our ecological systems; it was these indications that stimulated the development of a green approach to the economy. Greens have also been concerned about the way an economic system based on competition has led to widening inequalities between rich and poor on a global as well as a local scale, and the inevitable tension and conflict this inequality generates. This is intrinsically related to the inability of the economy to stay within ecological limits, and hence the two motivations for the development of a green economy are intertwined.

GH7. Nicholas Stern famously identified climate change as the greatest ever example of market failure. Climate change is only one, although clearly the most serious one, of the many environmental crises we are facing. In the discourse of orthodoxy each of these is an

independent example of ‘market failure’, the solution being merely to strengthen property rights and extend the reach of the market, as in proposing carbon trading as a solution to climate change. For a green economist, by contrast, the strict market ideology itself is the failure, and beneath and beneath that failure lies a deeper failing of our society to recognize and celebrate its place within a living, breathing planetary system.

GH8. From the science of ecology we learn that we are all connected in a web of life: we cannot satisfy our own desire for resources without considering the consequences of what we are doing for the rest of our eco-system. We need to see a green economy as embedded within environmental systems and responding to them rather than seeking to dominate the natural world. Most importantly, our planet is a limited system and we must make the recognition of its limits the guiding principle of the creation of a green economy.

GH9. This means that economic growth is only possible in the short term as part of a transition strategy to move us towards an economy that is in a steady state. The infrastructure of our current economy reflects the era of cheap fossil fuel energy: replacing this infrastructure with one that enables self-reliant economies will be the major source of growth over the period up to 2050. Beyond that date we should aim to stabilize the economy within our national resource limits.

GH10. From the perspective of a green economist, the formal economy is embedded within a system of social and environmental structures: formal economic activity is only one aspect of economic activity. This contrasts sharply with the prevailing view of the predominance of markets as the ideal mechanism for the distribution of goods and resources. This is an extreme idealisation of the market economy and does not in fact represent how the market functions in western societies, where laws governing such matters as minimum wages and environmental health make it clear that the economy system is embedded in social systems.

Specific Responses

- The economic, social and environmental outcomes that a green economy should aim to deliver, and the appropriate tools and indicators to monitor progress towards such outcomes;

GH11. We would suggest that the health of our ecosystem and of other species is a key outcome, which is inextricably linked to the well-being of global citizens. These should be the key outcomes that a green economy should seek to achieve. Appropriate indicators to measure this are already available and include: the efficiency of the planet’s carbon and nitrogen cycles; the health and diversity of animal and plant life.

GH12. We would also propose that equality between people is a key outcome of a green economy, both within and between nations. We would particularly encourage the Committee to take into account measures which ensure the well-being of future generations.

GH13. Specifically, GDP is an inappropriate measure of a green economy, since it is focused on activity, whether positive or negative in terms of well-being; because it measures flows rather than stocks; because it takes no account of equity; and because its unit of measurement is in incidental monetary terms. Government should have regard in particular to measures of material flows through the economy, minimizing the throughput of non-renewable resources and substituting renewable for non-renewable resources wherever possible.

- The nature of any barriers preventing the transition to a green economy;

GH14. The principal barrier to the transition is insistence on using the market as the best guide to making decisions about how much and what to produce and do. The government should be prepared to plan levels of crucial outputs, like renewable electricity, road usage, agricultural production and pollutants.

GH15. The traditional focus on the labour market as the source of livelihoods and satisfaction is also a barrier, particularly the need to maintain full-time full employment policy. A policy of making assets, particularly land, more widely available would enable the shift towards self-provisioning and provisioning within families and communities. This could be matched by a phased decline in the length of the working week.

GH16. Both ‘Green Economy Roadmap’ and the title of the energy report ‘Keeping the Lights On’ demonstrate the way that the debate remains trapped within the existing, self-defeating model of how economic life should be organized and debated. This is a major barrier to a transition towards a green economy and as we embark on the transition we should all be encouraged to question hegemonic thought patterns.

- The approach required to deliver a green economy, and the aspects of the current economic model that require development, eliminating and/or new approaches found. What tensions might there be between economic growth and the green economy? Would ‘greening’ the economy deliver the outcomes needed?;

GH17. A green economy cannot have the achievement of growth as its central guiding principle. Excessive growth creates feedback systems that undermine the quality of life that we were seeking to enhance and is hence self-defeating. There may be some scope for growth that does not rely on increased use of energy or raw materials and transport, and has a neutral impact on waste production and pollution, and in building the infrastructure we need for a sustainable society, but even during the transition to a green economy we need to limit energy and materials use.

GH18. The design principle for a green economy should be circular rather than linear. Renewable resources should not be used at a faster rate than they can be replaced, while non-renewable resources should be recycled. Much progress has already been made in increasing energy efficiency and moving towards zero waste. These principles should be supported by increasingly stringent tax incentives.

GH19. The economist Kenneth Boulding used the phrase ‘we cannot turn pots back into clay’ to explain how, once we have combined raw materials (e.g. clay) with highly-ordered energy sources (such as the wood, coal or electricity used to fire the kiln) to create a sophisticated product, we cannot simply reverse the process to recover natural resources that can be used as an input to a new production process. Any such recycling process will require (at the very least) the use of more highly-ordered energy, can only be partially efficient, and thus will in turn create more waste. From this we conclude that it is necessary to reduce our consumption rather than just recycling non-renewable resources.

GH20. Because of the unfeasible nature of the increased efficiencies required (as demonstrated by the SDC’s *Prosperity without Growth* report) and the nature of rebound effects associated with technological improvements, we believe that the reliance on

technological solutions, especially seeking to decouple economic growth and production from CO₂ emissions, is an example of psychological denial. Structural change in the nature of our economic model, and major shifts in consumption patterns and the way we define ‘a good life’ are fundamental requirements of a green economy.

GH21. We urgently need government to bring about the immediate cessation of activities that will plainly not be part of the green economy, like building new coal power stations, development of coal mines, major new road projects or runways, and the use of artificial fertilizers. Simultaneously we need governments to strongly encourage the development of key green economy sectors, especially renewable energy infrastructure. While the Feed-in Tariff demonstrates what can be achieved by suitable market-based incentives, the impending energy crisis indicates also the need for direct public investment in and planning of the infrastructure that a green economy will need.

- The policy and institutional ‘framework’ required to create the right conditions for the green economy to thrive, and whether the Government’s forthcoming Green Economy Roadmap provides this framework. Does the Roadmap deliver a clear vision of the green economy?;

GH22. We have not had time to study the Roadmap in detail but find its approach internally inconsistent. For reasons detailed elsewhere in this document, we believe that a green economy is incompatible with growth and needs to be developed outside the prevailing market model of economic organisation that dominates the Roadmap.

GH23. We would also question the usefulness of an approach to policy based on clear targets and a fixed direction of travel. The transition to a green economy will be a period of rapid innovation and change, some of which will be unpredictable. We would suggest that an experimental approach to policy-making is essential in such a situation and would propose piloting policies in specific areas rather than establishing dogmatic frameworks.

GH24. We question an approach to building the green economy based primarily on providing financial incentives to business. In terms of policy, we would suggest that the reliance on the market has demonstrably failed to protect our environment. We would suggest that rather than providing financial incentives or relying on goodwill, the government should take a stronger role in controlling corporations whose activities are destructive to the environment, including removing their licences to trade. Subsidiarity is important here: while some policies can only be effective at the global level (strict limits on CO₂ emissions, for example), the principle of NIMBYism can be used to defend local environments against economic expansion if power is genuinely devolved to local people and their democratically elected representatives.

GH25. Given what we have argued earlier about the need to end economic growth, it follows automatically that issues of equity will become of greater importance: if the pie cannot grow larger than it is more important to ensure that everybody has a fair share. Hence a green economy must have a much greater policy emphasis on equality, including higher levels of redistribution, broadening of asset ownership, and policies to reduce wage differentials.

GH26. An institutional framework for businesses in the green economy would need to involve this greater focus on sharing the value of production between producer and consumer, as is typical in mutual organisations and co-operatives. We believe that such alternative

economic organisations, which are not driven entirely by profit-seeking behaviour, will be more compatible with a steady-state economy and will put less pressure on resources.

GH27. More specifically, we would propose the introduction of a number of Ecological Enterprise Zones, in areas where the resources necessary for a sustainable economy to succeed are present, but which have not thrived in the competition for financial investment. These EEZs would be supported by government grants to become hot-houses for the innovation of green technologies and sustainable lifestyles. In return, they would be expected to achieve significant cuts in carbon emissions, resource usage, and levels of waste production. Government should enable local authorities in such areas to experiment with policy tools, such as carbon taxation and import and export duties. The aim would be for the EEZ to become a prototype of the self-reliant local economy that a green economy requires.

GH28. A system of Land Value Taxation could be used to achieve the redistributive aims identified in GH25 as well as ensuring that the value of planning gain stays with the community rather than individual developers. It could also be used in conjunction with local planning systems to provide incentives for appropriate green development and sustainable land use.

- Priorities for action, including those sectors of the economy crucial for creating the conditions for a green economy;

GH29. The hallmark of a green economy is self-reliance: this can sometimes mean greater government involvement in key sectors than a total commitment to free markets would suggest. Sectors of particular interest are those for food and energy. We would propose that plans for national resilience in the areas of food and energy are developed as a matter of urgency: reliance on lengthy supply chains may leave us vulnerable in a world where increasingly unstable political and climatic systems may threaten their viability.

GH30. We welcome the introduction of the Feed-in Tariff, which clearly indicates how government commitment and a suitable framework of incentives can call forth a rapid and appropriate response from both businesses and citizens. More creative means need to be found to enable those without money to invest, to benefit from the feed-in tariff, perhaps by encouraging local authorities to create bonds to fund the hire-purchase of solar panels by less well-off residents.

GH31. The next focus of attention should be agriculture, with a shift in emphasis towards domestic food sufficiency. Each local authority should be required to draw up a Food Action Plan whose central aim would be to maximise the provision of staple foods for local residents. A reinhabitation of the countryside could create sustainable livelihoods for many, who would also acquire the right to build homes in the countryside if they were gaining their livelihood from the land.

GH32. Considerable attention needs to be paid to the use of land in a way which provides the maximum opportunity to sequester carbon dioxide. Agricultural systems should be redesigned to enable them to be less carbon intensive. National planning is urgently needed to balance the potential competing uses of land between the growing of food, the production of biofuel crops, the production of biochar, and the preservation of wilderness areas.

GH33. The construction industry is a major source of carbon emissions and a significant user of new resources. While progress has been made in terms of the energy efficiency of new buildings, construction needs to be seen as a sector which can offer huge potential for sequestration. More emphasis needs to be put on the refurbishment of existing stock, rather than the building of new houses to higher standards of energy efficiency. Regulations should require the use of materials that are carbon neutral, especially wood but also magnesium plasters and renders, to replace the widespread use of steel and concrete which are highly carbon intensive.

GH34. A green economy will mean lower levels of production and also of consumption. Much of the current demand for products is driven by the advertising industry. To enable the transition to a green economy OFCOM should be given a new role in limiting the use of advertising to create desire for goods and services.

- The role of consumers, businesses, non-government organisations, and international bodies in delivering, and stimulating demand for, a green economy;

GH35. As already identified, we see a major role for national government in creating the framework within which a green economy can flourish. This should include the setting of suitable tax incentives and the control of industries which are threatening to exacerbate the ecological crisis. We cannot expect businesses to operate more sustainably without this sort of strong policy framework.

GH36. There is also an important role for local government in fostering sustainable local economies. We would suggest that local authorities switch their priority away from regeneration and towards community resilience. An important aspect of such a switch would be the tactical use of procurement, focusing on local sustainable businesses.

GH37. We are sceptical about the power of the ‘green consumer’ and would suggest that the language is changed to reflect what is really needed from citizens if we are to make a successful transition to a green economy, i.e. that they will live more lightly and for the common good.

GH38. We would propose a different approach based on encouraging citizens to become genuinely committed to acting as Ecological Citizens. Government has a role here, particularly in terms of education and setting an example, but policies like nudge that seek to manipulate citizens can be counter-productive. An approach which facilitates a political debate about how we might share in the creation of a better society, as well as a greener economy, would be more fruitful in the long run.

- Whether any models that more closely resemble a green economy exist elsewhere that the UK should aspire to;

GH39. The sorts of sustainable approaches to economic life that we consider representative of a ‘green economy’ have largely been undermined during the process of industrialisation and urbanisation. In developing our ideas about the green economy we have been deeply influenced by the approach to economic and social life of indigenous people around the world, especially by their close and respectful relationship with the land.

GH40. The Gandhian approach to economic development, based around self-reliant and close-knit villages, has also provided inspiration, and still offers sustainable livelihoods for many in India, although it is being undermined as India competes in the global economy. This philosophy has influenced the recent economic development strategy of Thailand, which has as its stated objective the approach of a sufficiency economy to achieve human development, ‘emphasizing moderation, responsible consumption, and resilience to external shocks’.¹ The Committee might explore how this model has worked out in practice.

GH41. In terms of our emphasis on a strong role for government in influencing the future development of economic policy we would identify the actions of the government of Brazil in recent years. The government’s ownership and political influence over its largest national bank enables it to effectively direct investment so that it serves the benefit of the community at large rather than merely the investors.

GH42. In terms of housing policy we would suggest that the Committee studies the Scandinavian co-housing model. This enables the development of high-density, low-energy dwellings which also foster a strong community spirit.

GH43. As discussed previously, a green economy will require higher levels of domestic and personal food production. To ensure this, government needs to consider both land taxation and land reform. Both have been undertaken in a range of countries in recent years, although the Bolivian land reform is perhaps the most prominent recent example.

GH44. Closer to home, we have found inspiration in the policy of the devolved government in Wales. A green economy is likely to focus more on livelihoods than simply on the labour-market, and opportunities should be made available for citizens to meet their own needs, especially by opening up access to land. Welsh planning policy is beginning to support the development of sustainable livelihoods as evidenced by planning advice note TAN6 from the Wales Assembly Government.² It includes a section called ‘One Planet Developments’, which allows exemption from restrictions on planning limitations in the countryside for those who ‘over a reasonable length of time (no more than 5 years), provide for the minimum needs of the inhabitants’ in terms of income, food, energy and waste assimilation.’

- How the UK’s policies to deliver a green economy relate to actions needed to deliver the global green economy (a theme of the June 2012 Rio Summit).

GH45. The value of this Inquiry is in combining questions about the future economic development of the UK with questions about its approach to tackling climate change. We find that the present government’s strategy of export-led growth as a response to recession is incompatible with a green economy: it relies on lengthy supply chains and hence an extensive use of energy and so contributes to climate change.

GH46. The basic question for the development of a global green economy concerns the level of consumption that is possible within the limits imposed by the carbon cycle, if we are to assume comparable standards of living across the world. We base our view of the global green economy on the Contraction and Convergence model of the Global Commons Institute. This begins with the global limit for CO₂ emissions and divides this equally between all the

¹ UNDP Human Development Report 2007

² Planning for Sustainable Rural Communities, Technical Advice Note 6, July 2010:
<http://wales.gov.uk/docs/desh/policy/100722tan6en.pdf>

world's citizens. This gives an idea of the energy consumption that is possible for each person, and in the context of the UK suggests a reduction in energy use of around 90%, hence necessarily a significant contraction in the size of the economy. Other countries which are presently below their limits will still be able to experience economic growth, particularly the countries of sub-Saharan Africa which are many times below their CO2 limit.

GH47. This view of a lower-energy world implies the end of all trade that is either wasteful or avoidable. In any case, the theory of comparative advantage needs to be heavily modified. To this end, we would propose the establishment of a General Agreement on Sustainable Trade to replace the World Trade Organisation. We also argue that the UK's history leaves the country with a special responsibility to assist the poorer countries of the world to expand domestic production for their own needs.