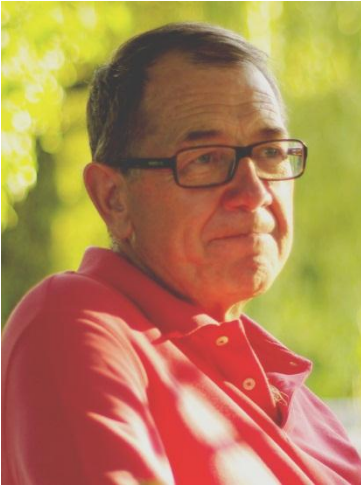


# The Environment, the Economy and the Good Life



Stephen McCarthy

## ABSTRACT

The paper draws on two current discourses. First, looming environmental problems, not just greenhouse gas emissions, will eventually require humanity to reduce its consumption of material goods. Current political, technical and economic measures to address such issues are insufficient and myopic. Second, the modern culture of the 'West' has acquired, uniquely in history, an ultimately insatiable desire for increased material consumption – a desire that in other times and places would have been largely satisfied by religious faith. Yet, there is no evidence, that beyond a certain point an increase in material consumption brings a greater sense of personal fulfillment or well-being. Putting these arguments together implies that we will ultimately have to live with less, but that this need not imply leading lives that are less fulfilled. A common ground in both discourses is the necessary, or inevitable, abandonment of economic growth – a prospect which is diametrically opposite to that prevailing across the political spectrum. One likely consequence, assuming some continued increase in productivity, would be the declining availability of paid work – the principal mechanism by which (as we tend to believe) people share in overall output – though taking into account those living off rents, pension rights, and various forms of social transfers this belief has some element of myth. So, rather than straining after ever more paid employment, we need a new paradigm of how the available economic output would or should be shared. One possibility would be the introduction of an unconditional basic income paid to all. This would require a considerable degree of social cohesion, whereas in fact most western societies are moving in the opposite direction as a result of widening gaps in the distribution of income and wealth. Unless such trends are reversed the more likely outcome will be societies in which a privileged wealthy few continue to control the available resources and over-consume while surrounded by a vast impoverished underclass of those eking out an uncertain existence as best they can. In the historical past Europe has been here before.

# The Environment, the Economy and the Good Life

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## Introduction

In August 2011 rioting broke out in London and spread to several other English cities. The proximate cause was a fatal shooting by the Metropolitan Police. But the underlying causes went deeper. The rioters did not have any identifiable, or articulated, grievance; their aim was primarily to loot shops and take material goods - which the surrounding consumer culture constantly urges them to desire without offering them the means to possess.

In October of the same year, a protest camp was set up outside St Paul's Cathedral in the City of London – having been prevented from settling nearer the financial heart of the City. Similar camps had been established in several Spanish cities and in New York. Their protest was against the greed of the bosses of the City's financial sector, who having caused near financial collapse in 2007 and 2008, continued nevertheless to award themselves huge salaries and bonuses on the pretext that these were necessary to retain key employees. These protesters did not emerge from a disconnected underclass, but, like the earlier rioters, while they knew what they were against – the appalling rise in income inequality across the Western world - they did not know what they were for<sup>1</sup>.

At the same time, August 2011, about fifteen hundred environmental activists gathered outside the White House in Washington DC protesting against the planned oil pipeline from Alberta. And around 12,000 demonstrators stormed a toxic chemical plant in the city of Dalian in China. Again these environmental campaigners were sure of what they were against, but did they know what they were for? How do they imagine a world without fossil fuel energy on which modern societies so completely depend?

Protests such as these are the more visible expressions of widespread uneasiness at the heart of modern societies and economies. We seem to know what we are against but do we really know what we are for? These are the questions at the heart of this paper.

I will attempt to offer an answer by pulling together the threads of two contemporary discourses, which continue in parallel without always being woven into a single pattern:

- The first points to environmental and resource constraints which, it is argued, will sooner or later require a slowing down of material consumption and consequently of economic growth;
- The second discourse concerns the increasing discontent with the materialist/consumerist values that dominate our society. One can interpret the 2011 riots in Britain as both motivated by such values and expressing an inarticulate and uncomprehending scream against their failure to satisfy. Others have advanced more sophisticated and philosophical arguments along the same lines - as we shall see.

But those engaged in the first discourse, on the environment, do not necessarily buy into the arguments of the second. Typically they argue that with sufficient political will environmental problems can be 'fixed'; they can be priced and subsumed into the prevailing powerful economic discourse whose equations will then produce suitable solutions. Possibly we will have

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<sup>1</sup> The same comment could be made about the results of the Italian election on 24-25 February 2013.

to accept (temporarily it is argued) a reduced material standard of living but without necessarily any consideration of whether the 'standard of living' is the most important criterion of what it means to live a fulfilled human life. Likewise, those engaged in the second discourse do not necessarily accept the arguments of the first. They would say that our current consumerist values are simply 'senseless' (Skidelsky and Skidelsky, 2012: 7), without necessarily accepting that the environment or the availability of resources are relevant or binding constraints.

I will argue that these different threads pull in much the same direction and that the implication of drawing them together is that Western society, if it is to avoid environmental and social breakdown, will have to come to live by a different set of values than those dominant today. This assertion is not as radical as it may seem. Social values do change over time. Even those most unremarked values in the background of our lives do not endure indefinitely. Thus, for example, the values of the contemporary world – individualist, secularist, rationalist, consumerist, utilitarian – can be traced back to the Enlightenment which of itself grew out of the Reformation's reaction against the mores and values of Middle Age Christendom (Gregory, 2102).

## **Two parentheses**

Before proceeding I want to stress, first, that the discussion relates primarily to the 'Western' prosperous economies. Poorer people in other parts of the world – Africa, most of Asia and Latin America – have not hitherto caused the problem. They have not been over-consuming the world's resources. And, while they may reasonably aspire to some of the greater material comforts that those in the West take for granted, and will consequently demand more resources in the future, they have not (yet) become addicted to the desire to consume that is so characteristic of the West. We should not blithely assume that they are inexorably committed to aping the same materialist values and lifestyle that richer people in the West have adopted.

Secondly, in discussions on environmental and resource constraints the 'problem' of overpopulation is invariably raised. Frequently the implication, no doubt arising from a disguised xenophobia or even racism, is that those living in the poorer parts of the world should stop having children, or if necessary be forced to do so, whereas in reality it would be more logical and effective to apply such a population policy to those living in the rich countries who are actually causing the resource constraint problem.

There is no quick fix to 'overpopulation'. The key element is fertility reduction and fertility rates have been declining overall as a result of the better education of girls in most regions of the world. This feeds slowly, with a time lag of around one generation, into population growth. Consequently the world population is now growing rather more slowly than in the recent past and is expected to reach around 9.6 billion by 2050 (UN, 2013) and may even plateau near this level.

## **First Discourse: Environmental constraints and the exhaustion of material resources**

Western countries are consuming material resources at a rate which is unsustainable and at the same time overloading the capacity of the natural environment to absorb the associated waste products. The most frequently cited example of unsustainable extraction relates to fossil fuels, oil in particular, with many arguing that the 'peak oil' transition – when new oil basins are no longer being discovered faster than oil is being consumed – has already passed (Heinberg, 2011: 15-17). New techniques for extracting shale gas and oil will certainly postpone such a day

of reckoning for a while. But it is a mathematical certainty that continued growth in the use of a finite resource, however much rising prices may both reduce demand and unlock new sources of supply, will eventually lead to the exhaustion of the resource. Such considerations apply not only to the availability of fossil fuels but also across a range of raw materials – phosphates being an important example (Gilbert, 2009).

Likewise the Earth's eco-systems have only limited capacity to absorb the waste products that the activity of mankind generates. The most pertinent example of the latter is the absorption of greenhouse gases. But it is by no means the only example. Ecologists have identified nine specific eco-systems – the Nine Planetary Limits - governing and constraining the recycling of waste products (Rockström, 2009). Of these three - climate change, biodiversity loss and the nitrogen cycle - are considered to have already passed critical limits necessary to maintain an environment conducive to humanity.

Focusing specifically on fossil fuel availability and the associated problem of greenhouse gas emissions, we can easily imagine technical solutions that would simultaneously avoid oil depletion and also reduce, over time, the greenhouse gas problem. As the Stern Report (2006) pointed out, huge investments would be required - notably in solar power, new cycles of nuclear fission and eventually nuclear fusion – though such investment would not be disproportionate to what mankind continues to spend on waging war. However, in popular imagination the scale of the problem is greatly misunderstood; the contribution of a few solar panels and wind turbines will be negligible. In reality, the United Kingdom could not maintain its current patterns of energy demand, even with efficiency savings, merely from domestic renewable resources without recourse to either extensive nuclear power or importing energy from huge solar farms in the Sahara desert (MacKay, 2009: 203-213). That conclusion can easily be extrapolated to other European countries. The nub of the problem is that all forms of renewable energy come from the sun, are very diffuse, and consequently require enormous tracts of land to be devoted to energy collection – whether in the form of wind farms, solar arrays or biofuel crops.

Apart from such technical solutions various economic tools and policies are also suggested for dealing with climate change. The most coherent of these is the use of carbon taxation or pricing to influence the balance of supply and demand in the energy market. Neo-classical economists argue that, in a free-market system, the problem of resource scarcity is self-correcting: as raw materials become scarce, prices will rise to reduce demand. But this won't do the trick. First, the price mechanism is a slow and blunt policy instrument; it reflects only short term balances of supply and demand, leaving the longer-term to look after itself. Second, the impact of price changes bears very unevenly, and unjustly, across the human population. A small number of millionaires and billionaires would continue to jet blithely around the world, long after the mass of the population could no longer afford to heat their homes.

Third, the price mechanism only touches on goods which are bought and sold. Things held in common, such as the air we breathe, fall outside this framework altogether. Many economists would say that in that case monetary values should be placed on environmental goods and services so that they can either be brought within the framework of the market economy or at least priced into economic calculations. This is a 'shallow' form of environmentalism. But this belief that a monetary value can be placed on a whole spectrum of human experience is utilitarianism - the philosophy that underpins economics - taken to an extreme. It is a mind-set that we have practically come to take for granted, but it is by no means obvious.

So economic considerations and policies, as with technical fixes, have a role to play in addressing the resource constraint and environmental problem, but they cannot provide a solution on their own. At some stage there has to be a massive reduction in humankind's

extraction and consumption of non-renewable resources and generation of waste products. And this implies eschewing economic growth - of which more later.

### **A Third Parenthesis: material consumption and economic growth**

But does continued economic growth necessarily entail increased consumption of material resources? Or can economic output become less resource intensive to such an extent that growth can continue while accompanied by an absolutely declining demand both on the availability of raw materials and on the Earth's ecological sink mechanisms? It may help to consider this issue by introducing the IPAT equation:  $I = P \times A \times T$ . In this I, the overall environmental impact, is a function of: P, the total population; A which may be considered as 'affluence', or GDP per capita; and T, 'technology', (the environmental impact of a given level of economic output). The IPAT equation should be seen as a way of organizing the discussion rather than an operationally useful formula to which numbers can be ascribed.

Now there is some evidence that T (the environmental cost of a unit of output) is slowly declining. For example, Jackson (2009: 77-82), using data from a number of western countries, demonstrates that the energy intensity of each unit of output has been dropping, since around 1990, at a rate of around 0.7% a year. But, taken across the world as a whole over the same period, the increase in world population, about 1.3% a year, and that in per capita output, about 1.4% a year, together far outweigh the declining resource intensity per unit of output<sup>2</sup>. The numbers are necessarily imprecise but the conclusion is clear. T has not been falling nearly fast enough to offset increases in population and 'affluence'. If we wish to reduce the overall environmental impact then we have to accept zero or insignificant economic growth rates – at least in those parts of the world that have already reached prosperity and already live with an abundance of material goods and services.

### **Second Discourse: Living the good life**

In the environmental debate one can distinguish between 'shallow' and 'deep' ecologists. The former attempt to subsume environmental considerations within the prevailing economic discourse. While the latter, with a more philosophical bent, turn matters round: ecological constraints are not mere externalities to an economic calculation, but rather it is the conventional economic considerations that should be subsumed within an eco-systemic approach (Spash, 1999). In a similar way, as we now turn to our second contemporary discourse, concerning dissatisfaction with our society's dominant consumerist/materialist values and what it means to live a fulfilled life, we can also recognise 'shallow' and 'deep' versions of this debate.

The shallow version is largely concerned with limitations on conventional GDP metrics as a measure of human well-being and with proposing alternatives<sup>3</sup>. Perhaps the best known such initiative was the *Commission on the Measurement of Economic Performance and Social*

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<sup>2</sup> Indeed, so far as carbon is concerned, to achieve the IPCC's target of 450 ppm by 2050, Jackson estimates that the carbon intensity of economic output would need to decrease by 7% a year between now and then.

<sup>3</sup> The limitations of the GDP metric are well known and need not be gone into here. In brief they are: GDP only measures monetised activity; it includes 'bads' (such as warfare) as well as 'goods'; it is influenced by the value of positional goods; it takes no account of the distribution of income; and it is strictly a measure of income not of wealth – notwithstanding a great deal of popular confusion on this point.

*Progress*, established in France by then President Sarkozy<sup>4</sup> (2009). Its purpose was to consider what statistics on 'human flourishing' - apart from GDP - should be gathered officially and used as indicators in the future. On the principle that what gets measured gets managed, this was a big step forward, even if the actual choice of indicators is far from obvious. What influence it will have on political thinking remains to be seen.

A second shallow 'good-life' discourse comprises the various international studies that consider the question: how happy are people and does higher income per capita lead to greater happiness? The first question is difficult to formulate across time and across cultures, and impossible to answer in any precise way. The second poses serious methodological problems: respondents are usually asked to rate their happiness on a finite scale, say 1 to 10, whereas GDP per capita theoretically stretches to infinity. Nevertheless some clear elements emerge: people are happy who live in stable, secure communities, surrounded by family and friends and who generally enjoy good health. The possibility of using their bodily and mental talents in a rewarding way – including some worthwhile work - is also important. Happy people are generous; they engage in activities that give of themselves to others. Some religious affiliation or at least some spiritual sense of the transcendent also helps.

Importantly, these studies suggest that above a certain income level, when there is a sufficiency of food and shelter and some small surplus for leisure, increasing material wealth scarcely brings greater happiness<sup>5</sup>. Indeed a moment's reflection shows that this conclusion is rather obvious: how much more joy a deep friendship can bring us than the transient satisfaction of acquiring the latest consumer trinket, such as the most recent version of the iPhone, before being distracted by the next novelty on offer.

The deeper 'good life' discourse is more ethical and philosophical and is joined by commentators coming from philosophical and religious traditions. This discourse considers what we can learn from philosophy about the nature and purpose of human existence and the content of human fulfilment. For example Mary Hirschfeld (2010) compares the mind-set of the world of Thomas Aquinas with that of today. Aquinas takes it for granted that the ultimate purpose of human existence is to share in the Divine life and that our deepest desires are directed towards this purpose, so much so that the matter of individual income and wealth scarcely gets considered:

External goods are necessary only insofar as they provide a platform from which we can pursue virtue. Moreover, as Thomas argues in the *Summa Contra Gentiles*, beyond what is necessary for basic survival, further wealth is a matter of indifference with respect to worship (Hirschfeld: 181).

Importantly, Aquinas' premise here would have seemed perfectly logical to the people of his time. He did not particularly have to argue the point; it was a premise not a conclusion. People had different stations in life and a certain level of material prosperity was appropriate to these different stations, but more than that was neither necessary nor generally desired. One's station in society comes first; personal wealth is only important to the extent that it is necessary to sustain it. This mind-set seems to carry through right to the beginning of the 'modern' times. Take, for example, the novels of Jane Austen, writing at the turn of the nineteenth century. She is extremely sensitive to the particular place that people have in society. But income and material wealth is merely important to sustain such status. All this, more than five hundred years after Aquinas, is still not very far from his world. But it is the opposite of modern values where it

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<sup>4</sup> Personally I think the French still have a more instinctive feel for what constitutes a good life worth living than do the 'Anglo-Saxons'! Perhaps that was President Sarkozy's motivation in setting up the Commission.

<sup>5</sup> Skidelsky and Skidelsky (2012) do a 'hatchet job' on happiness studies – see their Chapter 4 entitled *The Mirage of Happiness*. While largely agreeing with their criticism, I nevertheless think there is fruit to be harvested from such studies.

is the income and wealth, the novelty of owning the latest trinket and conspicuous consumption (in services as well as in material possessions, a 'hundred places to visit before we die' etc.) that actually confers social status.

Avarice and greed have been part of human nature throughout history and have been universally condemned by the philosophers. Money and material possessions were seen merely as a means to achieving the good life, in whatever way that was conceived in the ancient civilisations of Greece, India or pre-Reformation Christianity. What distinguishes our society is that material consumption has become the end in itself; it is the good life. Avarice and greed, though expressed as euphemisms such as 'self-interest' or 'profit maximisation', are now accepted, not condemned. Material goods and services have come to be laden with symbolic meaning going far beyond their immediate use value. As Jackson points out, our culture worships 'novelty' as each new gadget, or experience, promises the brief thrill of satisfaction before being followed by the addictive desire for the next one. 'Consumer culture perpetuates itself here precisely because it succeeds so well at failure' (Jackson, 100).<sup>6</sup> Even if we accept that certain possessions have played a symbolic role in all cultures, the problem with our society is that this is taken to unprecedented excess.

The Harvard philosopher, Michael Sandel, approaches the problem from a different perspective. In *What Money Cannot Buy* (Sandel, 2012) he draws attention to the way in which monetary values are now placed on various social goods which should strictly not be monetised at all. Of course case-by-case there always seems a good justification - just to take a trivial example: Why shouldn't I pay someone to stand in my place in a queue? Both I and the person who waits on my behalf can be shown to benefit. But this undermines the social function that queues serve. Taken as a whole such practices corrode social relations, overtly link wealth to power, and put prices on things which in the past would have been considered beyond price. Elsewhere he comments that now we do not just have a market economy but that we live in a market society<sup>7</sup>.

What is happening here is that the philosophy of utilitarianism, which is the basis of economics, is being taken to an extreme. It is used to justify reducing the rich variety of human experience to monetary values; it assumes that everything from apples, to time, to beautiful landscapes, can be assigned a price and consequently weighed against each other with some sort of universal balance. Nowadays we take this way of thinking so much for granted that it no longer strikes us as absurd. The main consideration in taking all sorts of social decisions within society becomes that of the market and getting 'value for money'.

Jeremy Bentham, the father of utilitarianism, is preserved as a mummy in the entrance hall to University College, London. It is time to bury him.

Robert and Edward Skidelsky, in their book: *How much is enough?* (Skidelsky and Skidelsky, 2012) paint with a broader brush. They explore what leading a 'good life' means in a diverse range of philosophical traditions including going back to Aquinas' mentor - Aristotle. However, given that Robert Skidelsky is the leading biographer of John Maynard Keynes, it is hardly surprising that an opening theme of the book is a comparison of the world in which Keynes formulated his economic theories with the world in which we live now.

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<sup>6</sup> Jackson attributes this idea to Grant McCracken, *Culture and Consumption* Chapter 7.

<sup>7</sup> A small example of this is the popular UK TV programme *Antiques Roadshow*. Here people are invited to bring forward and display some of the oddities and curiosities that have accumulated in their lives or their attics. But the aim of the show, after a short discourse on the history and intrinsic interest of the object concerned, is to put a monetary value on it. Interestingly the monetary value often bears no relation to the beauty, usefulness or history of the object.

In 1930 Keynes wrote an essay entitled *Economic Possibilities for our Grandchildren* in which he foresaw a time when mankind would be faced for the first time since creation with 'his real, his permanent problem – how to use his freedom from pressing economic cares, to occupy the leisure, which science and compound interest will have won for him, to live wisely and agreeably as well' (*ibid.*: 4). Essentially Keynes' argument was that continuing improvements in productivity would reduce the demand for labour at any given level of output. Crucially, he also assumed that we would reach a point of sufficiency when no further economic output was necessary, when people had acquired what they needed in income and capital to support their station in life. This he thought would take around a hundred years, perhaps from 1930 until 2030. From this point on people would have to work perhaps only about fifteen hours a week in order to meet their material needs. They consequently would have increased time and opportunity for leisure.

How wrong Keynes turned out to be! A reduction in working hours on this scale simply did not happen. On the contrary people's desires and perceived material needs, stimulated by pervasive advertising, sustained by the flow of ever-new technical trinkets dangled before us, and urged on by the political ideology of economic growth have risen continuously. To satisfy these desires, and despite the rising productivity foreseen by Keynes, average working hours have remained well above the fifteen hours a week that he envisaged and his forecast sufficiency of material needs has turned out to be illusory. We have become a society of consumers, constantly straining for more in a way that seems insatiable. This was succinctly expressed by Victor Lebow as long ago as 1955:

Our enormously productive economy demands that we make consumption our way of life, that we convert the buying and use of goods into rituals, that we seek our spiritual satisfactions, our ego satisfactions, in consumption. The measure of social status, of social acceptance, of prestige, is now to be found in our consumptive patterns. The very meaning and significance of our lives today is expressed in consumptive terms (Lebow, 1955).

But it was Keynes who was more in touch with the long narrative of human history. It is our modern generation that has lost the plot. For most societies in the past the central goal of human existence has been to lead a virtuous life, to seek salvation, to preserve the values of the community or some similar consideration without feeling an obsessive need to acquire more goods or taste more diverse experiences.

I noted at the beginning of this essay that the two discourses, that concerning material/environmental constraints and that concerning human well-being, tend to run in parallel tracks without meeting. So it is worth noting here that the Skidelskys, 'deep good-lifers' as I choose to call them, seem to have an aversion to 'deep ecologists', arguing in particular that the latter are inclined to put the welfare of the environment ahead of that of humankind. More relevantly, they consider that the prospective environmental resource constraints, notably climate change, may not prove to be sufficiently urgent or binding to have much influence. They prefer their case to stand on its own merits as a philosophical consideration of what it means to be human and to live a fulfilled human life. 'On any sober reckoning, the dangers of global warming, though real, are on a scale commensurable with those of war, plague and many other potential disasters. They do not demand the *total* concentration of effort and resources called for by climate radicals.' (*op cit.*: 130). They compare the arguments of the 'climate radicals' to 'a secular version of Pascal's famous wager'. I prefer to think that they are advocating a type of environmental Micawberism – something will turn up. But I have no quarrel with their case from philosophy.



## A Third Discourse: Economic Growth

But where the two discourses, that from environmentalism and that from philosophy, reach common ground is in their conclusion that the goal of economic growth, at least in those countries that are already prosperous, should be abandoned in favour of something more like a steady-state economy. Such negligible economic growth has been the normal experience during the vast sweep of human history. It is only in the last two and a half centuries that the world, or part of it, has witnessed growth rates above, say, half a percent a year, and only since the 1950s that economic growth has been elevated to its pre-eminence as a political objective - at least in part as a result of perceived competition between capitalism and communism during the Cold War<sup>8</sup>.

So the importance attached to growth economics is an example of a relatively recent social 'value'. But it has become the *lingua franca* of contemporary political discourse, promoted by politicians and the media, and seemingly in complete disregard for any of the considerations advanced in this essay. Indeed the recent financial and economic turmoil has only served to amplify the growth discourse. Now that the immediate financial crisis has receded into the background, the overwhelming tendency in public debate is to consider how the Western countries can get 'back on track', put the blip behind them as it were, and continue to grow their economies as they used to over the previous half century. And for most people the thought of abandoning the goal of economic growth would be unthinkable, indeed a frightening prospect.

But why do people and their leaders and spokesmen focus almost entirely on economic growth at the expense of any broader consideration of human well-being or indeed of the environmental unsustainability of growth over the long term? There must be some rational explanation for this. So the final sections of this paper will attempt to answer this question and then consider what economic policies could foster a move towards a steady-state economy and why there is no need to fear such a future.

At a simplistic, almost tautological, level a response to this question is to perceive politicians and their acolytes as merely the high priests of the current secular religion. This preaches that more 'stuff' will make people feel happier and more fulfilled. So more 'stuff' has to be provided. It should be said, however, that even by its own theology this religion has failed most people over the last three decades. The growing economic surplus has been increasingly appropriated by the rich; the mass of the people have experienced little improvement in their income levels over that period. Meanwhile the *populus* is growing restless as the 2011 London riots and other protests across Europe demonstrated.

However, there are at least three more technical reasons for the pre-eminent place that economic growth assumes in current political discourse. They are:

- fiscal sustainability or in most Western economies the current need to repay high levels of government debt;
- maintenance of international competitiveness;
- the desire for 'full employment'.

I will comment only briefly on the first two of these in the interest of concentrating on the third.

The problem of repaying government debt has come to the fore in Europe and the US over the last five years (though of course the underlying problem goes back much longer than that), as a result of the financial crisis and subsequent economic recession and stagnation. Briefly,

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<sup>8</sup> There is an emerging discussion within the economics profession whether indeed the pace of technical change will continue to sustain economic growth for those countries, such as the US and EU, which are already at the technological frontier. This is an interesting debate but, while equally threatening to the prevailing political discourse, it is quite distinct from the themes of this paper (Gordon, 2012).

assuming the overall fiscal balance is broadly unchanged, then government debt is only sustainable so long as the nominal rate of GDP growth is faster than the nominal interest rate on the debt<sup>9</sup> – hence the need to keep up the GDP growth rate or face fiscal collapse. This of course applies to an orderly world. But borrowing and lending is merely a manner of allocating a bundle of ownership or usage rights over particular assets during a certain time period. For every borrower there is always a lender (even if modern financial instruments sometimes make it difficult to identify exactly who they may be). But the bundle of ownership and usage rights can be modified and that is true of loan contracts as of other property rights<sup>10</sup>. Historically the most common way out of unsustainable national debt has been either inflation or default or a mixture of both. Both of these are *de facto* methods of reassigning ownership rights. The process may, for a while, seriously disturb the confidence which economies need to flourish, so it is certainly not to be embarked on lightly. But of themselves debt obligations do not impact on real assets in the real world. In short, for the purpose of the ‘deep’ discourse that we are engaged in here, government debt is a red herring.

The political need for international competitiveness is often expressed as a need to ‘keep up with’, which probably means ‘keep ahead of’, other economies in some kind of international race. Much of this rhetoric emerged during the Cold War, when there was an arms race between two nations with totally different economic structures. This was the era when GDP statistics were first widely deployed to show that ‘we’ were doing better than ‘they’. The fear now is more that China and the other BRICS will drive the West into penury with an overwhelming barrage of cheap gadgets and trinkets. But an eventual convergence of material living standards across the nations of the world is practically inevitable – something which we should welcome in the name of humanity. Lower income countries, having ready access to existing technology, will almost certainly grow faster than those Western countries that already function at the technological frontier.

### **Dividing the Cake: Sharing Economic Output**

The third political imperative – maintaining ‘full’ employment – may seem so obvious as not to require discussion. Paid employment is perceived as the principal means by which most people acquire income – that is share in the overall output of the economy<sup>11</sup>.

The underlying problem is this: technical change and improvement, in itself a good thing, leads to a continuing increase in factor productivity. Now a steady-state economy, as I am imagining here, is not a world frozen in a technical time warp. Even if technological progress is slower, mankind will continue to be inventive. Thus, as Keynes foresaw, for a constant level of output, ever fewer labour inputs will be required. We only need to notice the extent to which manufacturing and other processes have become automated to see that this has been happening for a long time. Consequently the political objective to maintain ‘full employment’<sup>12</sup> necessarily requires a rising level of economic output, of both goods and services, to offset the increasing technical efficiency. Looked at another way, in moving to a steady-state economy of

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<sup>9</sup> Plus, if the debt is denominated in a foreign currency, the rate of depreciation against that currency.

<sup>10</sup> For example the ownership of a piece of land is hedged round with legal and social constraints. It certainly does not confer the right to do whatever you want with it!

<sup>11</sup> The other important mechanism in a capitalist economy is by rewarding the owners of capital, which includes those owning pension rights. One of the causes of increasing inequality is that the owners of capital have since the 1980s accumulated a steadily increasing share of the output of the economy.

<sup>12</sup> Parenthetically, what is meant by full employment is of itself problematic, since with the tendency for ever more human activities, such as the personal care of others - children, the sick and the old - to become monetised, the absolute level of full employment today is much higher than it would have been a couple of generations ago.

'sufficiency' rather than of excess<sup>13</sup>, the requirement for paid work will decline. Either average working hours, or the proportion of the working age population who are employed, will fall.

There will be an additional driver of this trend towards lower employment. A vast range of economic activities are currently directed towards creating and nurturing popular desires for new 'stuff' – material goods and novel experiences. In the economic future that I am imagining such activities will be largely redundant – not to say counterproductive. Thus much of the sectors of brand advertising<sup>14</sup>, marketing and public relations would necessarily disappear.

However, the perceived requirement to have a job in order to share in economic output is not quite as rigid as it seems. The modern state allows for several categories of exceptions: the unemployed, those who are sick or disabled, students, those who stay at home to care for children or the old and, not least, children themselves and pensioners. Different countries offer varying levels of financial support to these groups of people, with perhaps the US at one extreme and the Scandinavian countries at the other.

Taken together these 'exceptions' typically account for a substantial share of the population<sup>15</sup>. Nevertheless, somehow the economy still functions. Economic goods and services are still produced in abundance, income is generated and is distributed throughout the population, both by formal and informal mechanisms – albeit very unevenly and, it seems, with increasingly bad grace towards the 'undeserving' poor and those perceived as feckless.

So a gradual decline in the opportunities for paid employment, as economies move to a steady-state, need not be such a new or frightening prospect as it may at first appear. It is little more than the continuation of a trend already far advanced. We have to learn to foster and celebrate this trend and the opportunity for increased leisure that is offered, rather than consider that anything less than having as many people as possible in paid work is a regrettable aberration. Peter Victor, one of the few economists who have actually modelled a zero growth economy, states: 'a key ingredient is a shorter work year, which would help to spread employment among more of the labour force. The benefits of greater productivity would thus be directed towards more leisure time, rather than increasing GDP' (Victor, 2010).

Introducing a shorter working year by legislation, something that France attempted, is likely to be fraught with practical problems as well as being rather draconian. But there is another way: governments could start to pay a universal basic income to all residents. This idea has been around for a long time and has been advocated by economists on both the right and left of the political spectrum<sup>16</sup>. In a pure form the basic income would be paid to all irrespective of whether or not they choose to work and thereby earn additional income. Since the opportunity of living frugally off the basic income would be open to all, the choice not to work would not carry the same social stigma now associated with 'living off the state'. In the scenario that I envisage here, where there would be declining opportunities for paid work, the basic income could initially be introduced at a modest level, since even somewhat below a 'minimum income' it would still affect people's propensity to work at the margin. It could then be increased until a balance was found between the supply and demand for paid employment.

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<sup>13</sup> The Skidelskys argue that we, in the West at least, live in an economy of 'abundance', whereas economic discourse continues to turn around an economy of 'shortage'.

<sup>14</sup> By brand advertising I mean advertising which merely serves to draw attention to a particular brand, without conveying any specific information. Most advertising now seems to be of this nature and it is a zero sum game, since if any brand chooses to opt out they risk being displaced by one of their rivals.

<sup>15</sup> The employed as percentage of the total population vary considerably by country, but in some cases could be less than 50%.

<sup>16</sup> This proposal has a distinguished academic history. Nobel Laureate James Meade discussed it; the economic journalist Samuel Britten repeatedly made the case for a basic income during the course of his career. More recently the Skidelskys (*op cit.*: 197-202) propose it again. See also: <http://basicincome2013.eu/>

Hitherto a basic income has never been practical politics in the West, perhaps because no politician has felt able to cut through all those groups that have a vested interest in the present hotchpotch of state support. Moreover, given current attitudes towards the alleged necessity for economic growth, towards the need for 'full employment' and the importance of remaining 'competitive' in the world, any measure that had the effect of reducing the incentive to paid work would be highly controversial. We may need a Franklin Roosevelt to help people perceive issues in a different way.

Ironically, while the topic remains almost taboo in the West, an increasing number of middle income countries, such as Brazil and Mexico, have already introduced such cash transfer, 'basic income', programmes on a limited scale. Such countries are no doubt less handicapped by the deadweight of existing programmes. But they may also more easily recognise that the goal of full formal employment for their populations is hopelessly out of reach. Such programmes need not be expensive. Brazil's *Bolsa Família*, together with parallel pension programmes, was estimated to reach 39% of the population in 2007 at a cost of about 1.5% of GDP (Hanlon, Barrientos and Hulme: 40).

### **By way of a conclusion**

We cannot finish this discussion without drawing attention to the elephant in the room: growing inequalities in income and wealth across the Western world especially in Britain and the United States (Lansley, 2012: 13-30). In their book *The Spirit Level*, Wilkinson and Pickett (2010) demonstrate strong correlations between income inequality and all manner of social breakdown and dysfunction. But a society in which a share in economic abundance would be distributed to all - even to those who choose not to be engaged in full time formal employment - would certainly require greater social cohesion, more sense of the 'common good', than now seems evident in many European countries. In economic terms wage and wealth pyramids would have to be much flatter than they are now<sup>17</sup> and taxation made more progressive - as used to be the case until around the 1970s.

Moreover, growing income inequality has been accompanied by the continued monetising of all sorts of human activities and experiences. This has the effect of turning wealth into power. Public goods, i.e. good things which are offered to the public simply for the sake of the common good (including justice), are increasingly removed from the public sphere and are only available to those private individuals who can pay for them. By contrast, the 'good life', as envisaged in this paper, requires that good things and experiences should so far as possible be available to the population as a whole and not merely to the wealthy.

The central argument of this paper has been, firstly, that our Western societies will have to adapt to the limited availability of energy and other primary resources, and to the limited capacity of environmental sinks to recycle waste – notably greenhouse gases. But secondly, on philosophical and even moral grounds, we need to throw off our addiction to 'stuff' and rediscover the 'good life' – in short to find a deeper, more spiritual, answer to the question: 'What are we for?'

In terms of economic policy the greatest single change that would both stimulate and support the transition to the sort of society that is imagined here would seem to be the introduction of a

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<sup>17</sup> The usual political justification for income inequality is that entrepreneurs and executives (and even doctors) have to be paid handsomely to persuade them to perform – a proposition for which there is little or no evidence. Happily the pyramid is flatter in some European countries, notably Germany and Scandinavia, than in others. These countries seem to function quite well enough, notwithstanding the rhetoric heard in the 'Anglo-Saxon' world!

basic income paid to all citizens or eligible residents. A basic income would explicitly recognise the abundance of what we already have rather than the apparent shortage of things we don't need.

Clearly the transition to such an economy of sufficiency would call for other economic policies and taxation measures. Carbon taxation to change the energy supply/demand balance is an obvious example. Outlawing or taxing brand advertising would also be desirable, since such advertising merely serves to create unsustainable psychological desires in people for ever new things, fashions and services<sup>18</sup>. Such insatiable desires eventually lead to social breakdown and can even cause riots as we saw at the very beginning of this piece.

Some might see the whole argument as utopian, though I advocate nothing that has not been tried or experienced by human societies in some places at some time in the course of history. The difficulty rather is in imagining ourselves in a different place to where we are now – a place where we can graciously accept the abundance that we already have and rediscover those human, personal, familiar things that make life really worth living. Sadly, current political trends, notably the recent weakening of the social security network that has been a characteristic of most European countries for the last half century, seem to point in a different direction - one of social breakdown. European society has been there too - many times – a small comfortable elite underpinned by a huge, marginalised and largely invisible underclass of serfs and beggars. The main difference would likely be that, whereas in the past the marginalised would have been labourers toiling over a small patch of land, in the future they are more likely to consist of office cleaners, 'care' workers, illegal migrants, or the thousands engaged in anonymous factories preparing ready-made supermarket food every day<sup>19</sup>. Nevertheless the values and attitudes that we live by can and do change – and nowadays more swiftly than ever. In that lies hope for the future. Perhaps the largely inarticulate protesters with which I began this paper will indeed prove to be the harbingers of such change.

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<sup>18</sup> Banning activities may seem draconian and illiberal. But societies have always outlawed practices considered to be socially dysfunctional: polygamy in most countries; more recently, smoking in public places; and in some European countries certain forms of advertising to children.

<sup>19</sup> They are rendered invisible by being employed by sub-contractors and gangs, many of which operate on the margins of the law.

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