Wales Centre for Public Policy
Canolfan Polisi Cyhoeddus Cymru
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Transforming our economy to tackle the climate emergency

Summary

The latest IPCC reports are clear. We know what is needed to tackle global climate change and we know that it would come with considerable benefits for most of the global population. But achieving effective climate action and realising its benefits requires a redesign of our economy that tackles current concentrations of wealth and power and ends our dependency on economic growth. This is because climate action needs to scale down dirty industries, regulate powerful corporations, and provide large-scale public investment in public services and income security. Post-growth research has started to sketch a path of how to achieve such a transformation without leaving anyone behind. In contrast, green growth and ecomodernist perspectives often effectively delay climate action by pretending that it can be done without tackling politically uncomfortable questions of power and redistribution.

Green growth and post-growth

The latest IPCC reports present a 'code red for humanity' in the words of the UN Secretary General (Guterres, 2021). To prevent catastrophic impacts, the world needs to achieve net zero greenhouse gas (GHG) emissions by 2050 (IPCC, 2021). Given its historical responsibilities, a fair net zero date for the UK would be much earlier, around 2030, requiring rates of annual reductions in GHG emissions of more than 15%, which are unprecedented even in comparison to existing ambitions (Jackson, 2021). Such considerations of fairness have led the Welsh Government to consider bringing forward its net zero target to 2035 (Welsh Government, 2021).

> **Continuing GDP growth is environmentally unsustainable but stopping GDP growth has unwanted social repercussions. Solving the dilemma requires a redesign of the economy that makes wellbeing less dependent on GDP growth**

A key driver of rising GHG emissions has been the relentless growth in economic production and consumption as measured by GDP. While the GHG intensity of the global economy has fallen and we can produce the same amount of GDP with fewer GHG emissions, global GDP growth has been outpacing these intensity improvements leading to continuously rising GHG emissions. Achieving global climate targets while continuing to grow global GDP would therefore require unprecedented intensity improvements (Hickel and Kallis, 2019; Haberl et al., 2020). For example, Jackson (2018) estimates that achieving the goals of the Paris agreement with GDP growth continuing at historical rates would require the global carbon intensity of the economy to fall by about 8% each year. This compares to an average annual

fall of less than 1% since 1990. Some high-income countries like the UK, have managed to achieve absolute reductions in GHG emissions despite a growth in GDP. But even here the rates of emissions reductions are nowhere near the rates required for a fair contribution to global climate targets. For example, carbon emissions in the UK have been falling at about 3.6% per year between 2009 and 2019, which is still far below the rates of more than 15% required to stay within its fair share of the remaining carbon budget (Jackson, 2021). The tension between GDP growth and environmental impacts has produced two divergent positions on the economic implications of achieving environmental sustainability.

The first position has been adopted by most governments and is referred to as green growth (OECD, 2011) or ecomodernism (Asafu-Adjaye et al., 2015), if labelled at all. It maintains that GDP growth is necessary for human flourishing and that climate action is only feasible if it does not threaten GDP growth. It assumes that sufficient climate action can be made compatible with continuing GDP growth through technological improvements which are expected to speed up rates of improvement in the GHG intensity of GDP well above historical rates.

The second position has been adopted by a small but growing community of researchers and activists and has been referred to as post-growth (Jackson, 2017), degrowth (Schneider et al., 2010), doughnut (Raworth, 2017) or wellbeing economics (Hough-Stewart et al., 2019). For reasons of convenience and personal preference, I will use the term post-growth to refer to this position. It concludes from the historical trends that emission reductions at the required pace are incompatible with continuing GDP growth in high income countries. Economic policy should therefore prioritise the goal of meeting the fundamental needs of every person within planetary boundaries, even if it requires reductions in the growth rate or level of GDP. The description of these needs varies somewhat between different authors but tends to include elements of material and income security, such as access to an adequate home, nutritious food and health care, but also elements of equality, justice and social and political participation. It is recognised that these needs, while considered universal, can be satisfied in different ways depending on the cultural context and need to be defined through democratic and participatory processes (Gough, 2015). Given that GDP is not a measure of wellbeing (Stiglitz et al., 2010; Costanza et al., 2014), post-growth economists assume that there is no fundamental problem with meeting everyone's needs without further GDP growth. For post-growth economists, the answer to global poverty is not more material production but distributing existing production more fairly.

But they recognise that environmental policies limiting GDP growth in our current economic system can have widespread negative social impacts, especially on the poorest, defined as the "dilemma of growth" (Jackson, 2017: 66). Continuing GDP growth is environmentally unsustainable but stopping GDP growth has unwanted social repercussions. Solving the dilemma requires a redesign of the economy that makes wellbeing less dependent on GDP growth: for example, by providing generous welfare systems and reducing inequality and poverty through increased economic democracy and taxation (Stratford and O'Neill, 2020).

While ecomodernists therefore focus on the technological shifts required to make GDP growth environmentally sustainable, post-growth economists focus on the economic shifts required to make non-growing economies socially sustainable.

Debates between the two positions have usually focused on the question of whether it is feasible to decouple GHG emissions from GDP growth

fast enough (Hickel and Kallis, 2019; Hepburn and Bowen, 2012). But I believe that this question is not helpful for achieving climate action. It can only ever be settled after such climate action has happened. And, more importantly, it masks the degree to which both positions actually agree on the policies required to tackle climate change, whether it is carbon taxes and trading schemes, home insulation programs, or support for active travel and carbon-saving technologies (Stratford, 2020). In addition to preventing major catastrophes, such policies can create jobs and may come with co-benefits for wellbeing, from warmer and more energy-efficient homes to cleaner air and more liveable neighbourhoods.

New policies for a new measure of progress

Rather than debating whether it is feasible to decouple GDP growth from GHG emissions, it would be more useful to ask: Why are climate policies not implemented at the pace and scale required?

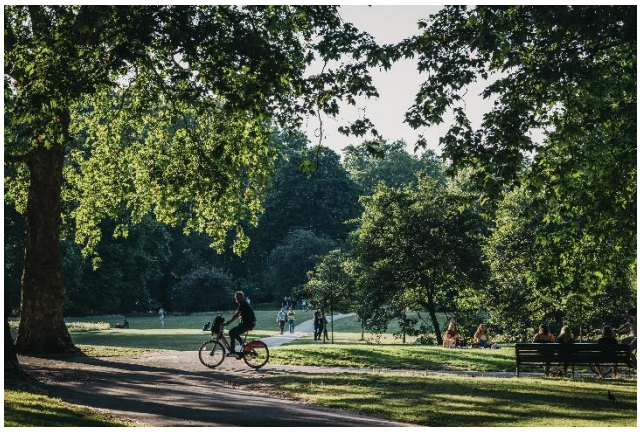
> **There are ways that the Welsh Government and other devolved governments can start prioritising human needs and equity within planetary boundaries if they are willing to think creatively about using their powers**

This question exposes the limitations of the ecomodernist narrative. Ambitious climate policies are not implemented because politicians are worried about the impacts of such policies on profits, employment, and economic growth. These worries are not unfounded. Without mitigating action, effective limits on GHG emissions implemented at speed would have financial impacts on many households and organisations, whether small social enterprises or large multinational corporations. Such limits would make many organisations financially unsustainable, leave trillions of pounds in stranded assets (Semieniuk et al., 2022), and push many households over the edge into poverty. They would shine a spotlight on the obscene levels of inequality that governments are leaving unchecked, potentially leading to a public backlash such as the yellow vest protests in France.

We can tackle climate change and improve wellbeing for everyone. But it can only be done together with tackling inequalities in wealth and power. It requires policies to mitigate the impact of the transition on the poorest households, including generous social safety nets, comprehensive public services, progressive taxation, strong unions, and democratic business structures (Dietz and O'Neill, 2013). It requires the regulation of markets to enable businesses to become part of the solution rather than the problem, effectively dismantling the business models of powerful corporations (Meagher, 2020). It requires curbs on the extravagant lifestyles of the richest 1% of consumers who are responsible for twice the emissions of the poorest half of the global population (Stoddard et al. 2021). It requires innovative participatory processes to develop new and risky policy ideas and to ensure they are fair and legitimate (Abram et al., 2020). And it requires doing all this against fierce resistance from powerful vested interests (Mattioli et al., 2020; Franta, 2020). These are the real challenges facing politicians who are serious about tackling climate change.

The ecomodernist narrative has, at best, little to offer to solve that challenge. At worst, it is used to argue against the necessary regulation and redistribution. By focusing on technological change, it dodges the uncomfortable question of how to manage the economic impacts of climate policies, allowing the pretence that we can tackle the climate emergency without getting serious about reducing inequalities in wealth and power. Reaffirming the primacy of GDP

growth restricts the range of policy solutions to those that can be shown not to harm such growth and makes it harder to win the political argument for climate action. Given the real impacts on some sectors that such action would have, it is easy for detractors to argue that climate policies will harm overall GDP growth, whether ecomodernists agree or not.



In contrast, the need to think beyond GDP growth has put issues of inequality and power at the heart of post-growth thinking, enabling researchers to ask the questions that are politically uncomfortable but important for designing an economy that is capable of delivering a just climate transition. How much resources and energy are needed for everyone to have a good life (Millward-Hopkins et al., 2020)? How can we design provisioning systems that provide them (Vogel et al., 2021; Fanning et al., 2020)? How can we provide sufficient and high-quality jobs if many existing industries must be scaled down in their current form (Jackson and Victor, 2020; D'Alessandro et al., 2020)? How can we make sure that the transition does not exacerbate existing inequalities (Stratford and O'Neill, 2020)? How can we future-proof care systems to make them independent of GDP growth (Walker and Jackson, 2021)?

The post-growth literature does not have all the answers to these questions. But letting go of the primacy of GDP growth has allowed it to sketch out solutions that are outside the blinkered vision of conventional economic strategies. For example, valuing and supporting care work is a key priority for post-growth economists, because it is essential for wellbeing, it is relatively low carbon, and can provide lots of employment (Hardt et al., 2020). But the labour-intensive nature of care work does not lend itself to productivity growth, making it a problem rather than a solution in economic strategies that prioritise growth, such as the recently published economic strategy for Scotland (Scottish Government, 2022). Other labour-intensive sectors that are key to the climate transition, such as repair and retrofitting, suffer the same fate.

Arguably, many of the policy levers required to create an economy that is capable of effective climate action lie outwith the power of the Welsh Government, such as (significant) borrowing for public investment, financial regulation, social security reform, and stronger labour laws. Nevertheless, there are ways that the Welsh Government and other devolved governments can start prioritising human needs and equity within planetary boundaries if they are willing to think creatively about using their powers. For example, local tax powers can be used to reduce GHG emissions, incentivise fair work practices and reduce inequality (Fawcett and Gunson, 2019). Approaches such as Community Wealth Building help reshape planning regulations, procurement spending, and business support agencies to build economic infrastructures that can keep wealth within local communities (CLES, 2022). But, while progress in the devolved nations sometimes outpaces progress in the UK, they are still falling short of what is possible and necessary to tackle climate change even within devolved powers. That is because governments at every level are not willing to tackle the uncomfortable questions of redistributing wealth and power necessary for enabling effective climate action; from trade rules stacked in favour of high-income countries at the international level to concentrated land ownership in the Scottish Highlands at the local level.

The most important lesson from post-growth research is that effective climate action cannot be achieved as a technocratic exercise (Pirgmaier and Steinberger, 2019). Research needs to go hand in hand with building coalitions

that can change entrenched narratives and challenge vested interests. It gives me hope that this work is starting to show signs of success. More and more people are making the connection between climate action, social justice and the need for economic redesign; and popular support is rising. For example, Scotland's first two citizens' assemblies have shown large majorities in support for strong government action on climate change, more progressive taxation, and replacing GDP as a measure of progress.

It is time for politicians to follow their lead. If we want to tackle the climate emergency, we can't avoid the challenges posed by post-growth economics. Governments need to embrace these challenges, ditch the outdated obsession with GDP growth and focus on the economic transformation needed to make rapid climate action possible.

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Find out more

For more on the policies of economic transformation needed to tackle climate change and growth dependency see Stratford and O'Neill (2020), **The UK's Path to a Doughnut-Shaped Recovery**. University of Leeds, Leeds, UK. https://goodlife.leeds.ac.uk/doughnut-shaped-recovery

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For more on the overlap between green growth and degrowth policies see Stratford (2020), **Green growth vs degrowth: are we missing the point?** openDemocracy. https://www.opendemocracy.net/en/oureconomy/green-growth-vs-degrowth-are-we-missing-point/

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