Economics as if ecology mattered

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Economics is dead/long live *eco*-nomics!

That neo-classical and conventional economics are not fit for purpose for either understanding the current world nor building a better one, is no longer a controversial statement amid growing calls for real world and post-growth economics (D'Alisa et al 2014). The inability of conventional economics to account for actually existing social and economic life and reification of a structurally dysfunctional organisation of the capitalist system which produces crisis after intersecting crisis, increasingly understood as either the poly crisis or permacrisis, is there for all to see (Lawrence et al 2022).

But is there something to be salvaged from the ruins? Can we have an economics which reflects both fundamental realities about what it is that sustains life on earth (spoiler alert: it's not economic growth), understands how value is really generated and how wealth is really accumulated and, instead, help to reimagine what an economy would look like if the ecology (and people as Schumacher (1974) said) mattered?

If we can, it would have to acknowledge the following as fundamental points of departure:

1. There is no economy which exists apart from the ecologies which sustain it

All wealth in the end is ecological. Economists contend that growth can continue indefinitely because they measure growth in terms of economic value rather than material throughput (Jackson and Victor 2019). Yet we diminish natural wealth and undervalue its exhaustion at our peril. Even in a highly financialised and service oriented economy, where direct connections to patterns of resource extraction and consumption are sometimes less observable, circulations of finance and the constant manufacture of 'needs' through advertising and exchange require resource inputs and lock in unsustainable behaviours. Assuming (often more by implication and neglect than explicitly), as many economists often do, that the environment is an infinite sink for waste and byproducts in pursuit of ever greater levels of production and consumption through market means is both naïve and dangerous (Daly 1996). Assessments of how economies perform, and wealth is generated, now need to start from a basic recognition of our dependence on the natural world and metrics adapted accordingly so that we can measure progress (or the lack of it) in building an economy compatible with life on earth and conserving the stocks and resources that sustain it.

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This is not about efficiency gains and relative decoupling, for which there has been some progress and where environmental economics has made some useful contributions (Pearce et al 1989), but rather absolute decoupling. For example, the carbon dioxide intensity of the global economy fell from about 760 g of carbon dioxide per dollar (g CO_2/$) in 1965 to less than 500 g CO_2 /$ today, a decline of almost 35% in half a century. But, as Jackson and Victor show, 'relative decoupling is barely half the story' (Jackson and Victor 2019: 950). This is where the attempt to reinvent growth as 'green' falls down (OECD 2011). The so-called Jevon's paradox looms large here. Writing about coal nearly 150 years ago, Jevons showed how efficiency savings have the ironic and unfortunate effect of encouraging further energy use with the money saved (Jevons 1865). The phenomena whereby efficiency gains in a growth economy are often redirected towards overall increases in consumption highlights many of the limits of green economy thinking. For example, the development of more fuel-efficient cars has not led to reduced car use. Rather, people can drive them further or more frequently without paying more. Hence incremental efficiency gains are more than overshot by increased resource use in a growth-orientated economy. Evaluating 36 OECD jurisdictions, Vogel and Hickel found that 11 countries managed absolute decoupling from 2013-2019, yet based on this trajectory, these countries would need an average of 223 years to achieve a 95% reduction in their 2022 emissions, in the process overshooting their national fair-share of the global carbon budget for 1.5°C by an average of 27 times (Vogel and Hickel 2023).

2. Growth is, and has always been, a means to an end

For a long time, it has been assumed that growth provides the only means to enhance wealth, prosperity and well-being and GDP the best metric for measuring it (Schmelzer 2016). For some people (the richest), in some places (largely the global North, but also elites across the world) at certain times (particularly post second world war), it clearly has generated spectacular wealth. But levels of poverty and inequality, while fluctuating, have persisted giving the lie to the notion of trickle-down economics (Chancel & Piketty 2021) and highlighting that wealth derives from some peoples' labour and resources for its creation. While the annual rate of global GDP growth has averaged around 3 percent over the past decade,[2] income inequality has been exacerbated.[3] As a recent UN document notes in relation to the central commitment to economic growth in the Sustainable Development Goals: 'As a universal prescription… economic growth (measured in GDP terms) cannot continue to guide poverty-reduction efforts. This is both because GDP growth generally implies increasing the metabolism of the economy (the amount of energy and material resources used), which is not sustainable, and because persistent income inequality largely annuls the impacts of growth on poverty reduction…The persistence of wealth and income inequalities therefore largely nullify any positive impacts on well-being that are expected to derive from an increase in GDP'.[4]

There is also a clear relationship between wealth concentration and environmental impact. For example, the top 1% of carbon emitters are responsible for more emissions than the entire bottom half of the population (Gore 2020). Hence the undeniable wealth that has been secured for some has come

[2] World Bank, World Development Indicators, GDP growth (annual %), World, 2014-2022, https://databank.worldbank.org/source/world-development-indicators/ - :~:text=The share of global income,2020 – Ratio Top10%2FBottom 50

[3] World Inequality Database, Global Income Inequality, 1820-2020, https://wir2022.wid.world/chapter-2/#:~:text=The%20first%20striking%20finding%20is,remained%20around%205%2D15%25.

[4] *Eradicating Poverty and Realizing Human Rights in a Post-Growth Context: Preparing for the Next Development Goals* UN Special Rapporteur on Poverty and Human Rights

at the expense of other people's land, labour and well-being and at a high cost to the earth. Poverty and wealth have to be seen relationally as two sides of the same coin. When we are overshooting planetary boundaries that afford a safe and just operating space for humanity, we know we have confused ends and means (Rockström et al 2009). In other words, economic growth's claim to have a monopoly on the means of providing human welfare looks increasingly hollow when it depletes the very sources of that wealth by extracting more than is necessary to meet human needs and directs those resources to the consumption of the rich rather than addressing the poverty of the poor. The preservation of life on earth and the wellbeing of all species on this planet cannot be further imperilled by the project of growth as an end in itself when it is so untethered from its ability to reduce inequalities, improve health and preserve the resources we depend upon for our existence (Hickel 2020).

3. Understanding the sources of true wealth

The wealth of richer nations and dominant classes in the current economy does not result from the neutral expression of consumer preferences, unleashed entrepreneurial spirit (the 'animal spirits' Keynes referred to (1936)), or the laws of supply and demand that are said to underpin today's economics. Rather, the contemporary global capitalist economy concentrates wealth by exploiting some for the benefit of others while passing social and environmental costs onto poorer members of society and future generations. Laws, incentive structures and institutions enable this transfer of public to private wealth and intergenerational discounting to occur without regard for the consequences and force invoked where contestation of this maldistribution and dispossession occurs (Dunlap and Brock 2022), as we can see from the atlas of environmental conflicts around the world.[5]

Whereas economists refer to social and environmental costs either as externalities (Pigou 1932) or the necessary price to pay for adjusting to the 'realities' of the market, they are in fact intrinsic to the process of wealth creation in an unsustainable economy which rewards such anti-social and anti-ecological behaviour. Ecological economics has gone some way to making these processes of uneven exchange and extractivism more transparent and visible (Hornberg 1998). But an economics fit for the crisis we now face, must help us to build economies not premised on these principles and where common wealth is the goal and the wealth of the commons is what has to be measured, not the accumulation of wealth by states and individuals in isolation from the societies and ecological systems in which they exist and which sustain them.

4. Economists 'invisibilise' the way in which most wealth is created

Beyond misreading the mechanisms by which wealth is actually generated in the real economy, we also need to recognise the gendered and ecological labour and care economies which underpin and make possible what conventional economists think of as the economy. As we know from feminist scholars and activists (Bauhardt & Harcourt 2018), most of the care and work that underpins the formal economy does not even appear in conventional models of accounting for work, wealth and the real social protection which hugely subsidises the process of private wealth creation. In the UK alone, the economic value of unpaid care in England and Wales in 2021 was estimated to be £162 billion or £445 million per day,[6] while a report for the Argentina government found that unpaid care and domestic work

[5] http://www.ejolt.org/

[6] https://www.carersuk.org/press-releases/unpaid-care-in-england-and-wales-valued-at-445-million-per-day/#:~:text=The%20economic%20value%20of %20unpaid,they%20were%2010%20years%20ago.

amounted to 15.9% of the country's GDP, representing the largest sector in the entire economy, followed by industry (13.2%) and commerce (13%) (Ministry of Economy 2021).

This is not news. As Marx wrote in *Capital* 'the original sources of all wealth' are ultimately 'the soil and the labourer' (1974: 475). In a globalised economy, the exploitation of both is less visible and organised across time and space along complex supply chains and hidden behind constructed public/private divides. But it constitutes nevertheless the actually existing way in which wealth is accumulated and growth made possible. Because it distances and renders invisible both the modes of labour and resource extraction and the social and environmental costs associated with it, conventional metrics, models and modes of accounting mis-apportion credit, wealth and profit and so reproduce and legitimate extractive modes of exchange. As Patel and Moore (2018) show, what appears to be cheap, whether nature or labour, is anything but. It is just that the costs are hidden and ignored or paid for by people that conventional models ignore. The fact they are kept out of sight and mind in conventional economics greatly impoverishes our understanding of the world and how it can be changed.

5. Inequalities between countries are not a function of superior competitive strategies

They are not, as often assumed, a function of the laws of comparative advantage (Ricardo 2015 [1817]) and successful progression through the stages of development (Rostow 1960). They have rather been created, built, ossified and locked-in through centuries of colonial exploitation and looting (Bhambra 2021; Rodney 2018) followed by a seemingly more benign approach to controlling and extracting resources from the periphery to the core of the economy enabled by uneven trade rules in a globalising economy, overseen by multilateral economic institutions (such as the IMF and World Bank), and enforced through international economic law (Newell 2012). Extractivist models of development today are further fuelled by the crushing levels of debt many poorer countries have to pay off which lock them into unsustainable resource pathways and who are further punished by credit rating agencies that will downgrade economies diverting from economic orthodoxy (Barta and Johnstone 2018). According to UNCTAD, more than half of the LDC population live in countries that devote more resources to debt servicing than to finance health or education.[7] It is clear then that, contrary to the aspiration of economists that a rising tide lifts all boats and the assumptions of trickle-down economics, development and underdevelopment are relational.

Overall, what this means in practice is that models, metrics, theories, values and practice have to change.

Competitive zero-sum models of understanding who gains and who loses from economic exchange are irrelevant if they do not account for whether they are depleting or restoring natural systems upon which we depend for our collective survival. As Ekins (1986: 7) suggests: 'A large proportion of the outcome of the production process expressed each year in GNP does not represent any benefit to the quality of life and of the environment'. As the 'new economics' tradition has long emphasised, measures of GDP need to be abandoned in favour of some combination of the many alternatives now available (including the Happy Planet Index and Gross National Happiness) that centre planetary health and well-being as the thing to assess and expand as an overarching social goal (NEF 2016), 'rooted in the recognition that human life and economic activity are an interdependent part of the wider ecological process that sustain life on earth and will either operate sustainably within those parameters or bring about their own demise' (Ekins 1986: 132). Though not going far enough for some (Spash 2020, 2021), the 'doughnut economics' of Kate Raworth (2017) provides a promising, near-term and

[7] UNCTAD, A World of debt: Africa, https://unctad.org/publication/world-of-debt/regional-stories

concrete way to build an economics fit for the twenty-first century by focussing on reconciling the meeting of human needs within planetary boundaries that is being put into practice by cities such as Amsterdam as part of a doughnut economics action lab.[8]

A new approach to *eco*-nomics implies abandoning fictional abstract modelling and rather takes a close look at life, an approach more akin to the ecologist in the field than a scientist in the lab. What is really happening? How do different life support systems (human and more than human) work together to sustain one another through cooperation and mutual aid? How can we strengthen and reinforce the bonds of reciprocity which make life possible? How can circuits of production, trade and exchange be less wasteful, more efficient and more benign in their impacts and the wealth they generate better distributed in ways which improve well-being and reduce inequalities? These should be among the guiding questions of a rejuvenated economics fit for the world we now live in, far removed from that which informed the theories of Smith, Keynes, Ricardo or even Marx.

Removing blinkers and taking sides at a key moment in history will be uncomfortable for many. I also realise this sounds utopian – and it is. But the Cambridge economist Joan Robinson's famous comment that 'The misery of being exploited by capitalists is nothing compared to the misery of not being exploited at all' no longer applies (if it ever did) (Robinson 1964: 46). Everyone on the planet deserves dignity and the right to an existence which is not systematically denied by the ideology, institutions and practice of a destructive economy which extracts and reallocates wealth in such unequal ways. Recognising this can be the starting point for a very different way of doing economics.

Final words

As a species we are not yet done. It is my firm belief that we are better than this, and the current socially depleting, ecologically suicidal economic system is not the ultimate in human ingenuity and nor have we reached the 'end of history' in terms of models of organising economies and politics. In fact, history provides many examples of rapid and progressive change that occurs faster than we thought possible (Newell and Simms 2021) and alternatives grounded in these principles already exist around the world aimed at building new pathways to prosperity (Simms 2013; Jackson 2021). It is time to fire up our collective imaginations and bring these into being.

Solidarity and repair economies, cooperatives and sustainable economies abound if we take the time to see them and learn from them. Indeed, it is the ideology of growth and enclosure that has stripped many communities of their means of subsistence from land and forests and it is privatization of key public services that has denied them access to water and energy, for example (Balanyá et al 2005). Challenging growth and its life-destroying approach to value by defending rights will help pave the way for re-commoning: bringing back into the public realm the resources and services needed to sustain life. This is happening. Between 2000 and 2015, there were 235 cases of water 'remunicipalisation' – the process by which a city, region or national government terminates or refuses to renew water concessions, leases or management contracts with private companies, in order to bring water back under public control. As a result of this rapidly spreading trend of re-municipalisation, 100 million people across 37 countries now benefit from water as a public good rather than as a private commodity (RTA 2019). Indigenous and non-western cosmologies suggest very different ways of reconceptualising and valuing our relationship with the more than human world and innovations to afford legal status to rivers and other ecosystems suggest one way of seeking to defend them from the ravages of the market. For

[8] https://doughnuteconomics.org/stories/1

example, in February 2019 voters in Toledo, Ohio in the US approved a ballot to give Lake Erie rights normally associated with a person to protect it from further high levels of pollution, while in 2017 the New Zealand government passed legislation recognizing the Whanganui River as holding rights and responsibilities equivalent to a person. Those acting on behalf of the river will now be able to sue for its own protection under the law.[9] These approaches are not without their own challenges but they point to the possibility of change and that ground can be reclaimed from powerful actors driving ecological collapse. As ecologists frequently remind us, no condition is permanent.

This is a critical moment for economics as a discipline, worldview and ideology to reflect on what is at stake, consider the role of the discipline (alongside many others) in bringing us to the critical condition we are in today by providing students, publics and policymakers with models and justifications of policies that have wrought havoc on the planet. But, having done so, to then repurpose the latent skills and talents of the discipline for methodological and theoretical innovation and harness them to the goal of building an economics as if ecology and people mattered. Though as Keynes said, 'In the long run we are all dead', before that happens there is time to help nurture an economics for the common good that can sustain a liveable planet for those we leave behind. We have nothing to lose, but a world to gain.

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[9] https://rapidtransition.org/stories/the-rise-of-the-rights-of-nature/

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