

A Zero-Growth Economy?

For those of us who are concerned about the need to live within the means of this planet, for those of us who talk about wanting to live sustainably, how far do we dare to push the questions? Are we willing to go any further than changing our light bulbs and turning the television off rather than leaving it on standby? What about the environmental resources consumed by the way we spend our money and the jobs that we do? Or do we hide behind the China/India issue and use that as an excuse for doing nothing? We do not have to go far before we hit uncomfortable questions that have the potential for a real impact on our lifestyles. Questions around the economy lie just below the surface of sustainable living.

The Steady State Economy Conference, held in Leeds on Saturday 19th June 2010, was the first national conference to bring together NGOs, academia, businesses, politicians, the media, and the general public to explore the idea of a steady-state (zero-growth) economy, and to identify specific implementable policies to achieve a steady state economy in the UK. The conference was organised by the Centre for the Advancement of the Steady State Economy (CASSE, pronounced “Cassey”) and Economic Justice for All, a group based at Leeds Metropolitan University.

Why do we even need a steady-state economy? The question was asked by each of the four keynote speakers. Andrew Simms, Policy Director and Head of Climate Change and Energy, at the New Economics Foundation answered it by saying that the current primary policy goal of our own government remains as it has been for the last 50 years, to promote the growth of the economy. All the main parties (and the media) were agreed on this point during the election campaigns to such an extent that it appeared to be a self-evident axiom. Yet it was this very policy that led directly to the banking crisis of 2009. The government then had to borrow enormous amounts of money to bail out the banks, which had been fuelling “economic growth”, in order to save the entire economy from collapse. This in turn has given rise to massive national debt. We are now faced with £6 billion worth of cuts in public expenditure this year, with more promised to follow, in order to try and deal with this debt. On the other hand, the total annual bonuses being paid this year in the banking sector is £6 billion. It is difficult not to draw the conclusion that cuts are being made in public sector services, such as healthcare, education, and research on renewable energy, in order to indirectly fund the salaries of the same people and institutions that drove the economy to the brink of collapse in pursuit of so-called “economic growth.” This points to a serious flaw in the current economic system.

Worse than this, however, said Peter Victor, Professor in Environmental Studies, York University, Canada, is the fundamental conflict between economic growth and environmental protection. Most current models of economic growth fail to recognise that the economy represents a sub-set of human activity that takes place *within* a finite planet. This fundamental flaw has led to the situation that now, in 2010, we are already using 1.5 times the amount of energy that the planet can sustain each year, and the economic models don't even recognise it. This factor is increasing rapidly. It is only the use of ever-decreasing reserves of fossil fuel that allows this situation to exist at all. A steady-state economy is required if we are to bring this disastrous situation under some sort of control. In fact, we need to enter a period of “de-growth”, where the main economies of the developed Western world shrink, if we are to bring our levels of income and energy usage into line with something the planet can sustain.

Disappointingly, however, there was no-one present at the conference from any of the three main political parties. Andrew Simms went on to remind us that there are heavily vested interests that stand to lose if the current system is threatened. For example, 17 of the present 23 members of the Cabinet are millionaires and in a steady state economy such a gap between rich and poor would not be sustainable.

The conference looked at a wide range of different aspects of the economy, exploring various policies that would need to be implemented to bring about such a change in the economy. Although the focus was on how the UK might head towards a steady-state economy, this was set in the context of global issues of development, trade and justice. The four keynote addresses were complimented by ten workshops, the latter being repeated in the afternoon, allowing the opportunity to participate in two of them. These were:

- Limiting resource use and waste production
- Stabilising population
- Distribution of income and wealth
- Money and the financial system
- Measuring progress/Quality of life

- Engaging politicians and the media
- Changing behaviour (the psychology of consumerism)
- Employment
- Business and production
- Global issues

I attended the “Business and Production” workshop in the morning and “Money and the Financial System” in the afternoon. For me, the Business and Production workshop failed to get to grips with some of the most fundamental issues of sustainable business and trading, such as the power and scale of corporate businesses, exploitation of the natural environment, the general absence of any human relationship between company investors/owners and customers, and making businesses and their transactions answerable to local communities. Instead the workshop focussed on how to encourage existing businesses to undertake more stringent forms of environmental accounting.

The Money and Financial Systems workshop was more interesting, looking at the incompatibility between “using money to make money” (interest, or usury) with a steady-state economy, and what changes to policies, outlooks, and economic relationships with the land that would entail. It highlighted the fact that money was *not* originally a means of barter or used for paying for goods. Instead it was introduced by states for the purpose of taxation – so that the state could collect revenues to provide services for the population. For this reason the state was always the issuer of money – the reverse of the present situation where privately owned banks actually create money through fractional reserve banking, whereby they lend money, the majority of which doesn’t yet exist (leveraging), on the basis that a proportion of the loan does exist as real money (the fractional reserve) and that they will get the rest back with interest through the future work of their debtors. This process leads to the creation of money that has no guarantee behind it and is no longer linked to any form of real security, but is perceived and measured as economic growth. One of the main proposals was therefore to take the issue and creation of money out of the hands of private banks and return it to the state.

Another interesting proposal was to introduce a global currency to act as a buffer between trading nations. Each nation would have its own exchange rate set with the global currency based on the median earnings of workers in that country and some measure of its carbon usage. This would even out the imbalances between nations, reduce exploitation of poorer countries, allowing them to concentrate on developing their own economies, return production to within national economies, and force countries to face their environmental responsibilities if they want to trade internationally. Unfortunately there was no discussion of the role of the stock market, which to my mind is one of the greatest obstacles to achieving a steady-state economy.

One very important outcome of this workshop was the idea that a local currency, such as exists with the Totnes Pound, the Stroud Pound, and the Brixton Pound, can play a key role in answering a great many issues, not least in helping local communities work towards a sustainable local economy, especially in the current climate with local councils now facing large cuts in central funding.

Overall the conference was stimulating and invigorating, as well as encouraging. There is some serious thinking going on about how we can live sustainably on this planet. My hope is that we have the courage, the tenacity and the resilience to do our part to bring it into being. Otherwise I think the outlook for the future looks increasingly and grimly violent.

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