Re-focussing the economy in times of climate emergency and economic exclusion[1]

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In addressing this overall question, I will set out what I see as some of the key challenges, identify the main contenders for resolving them and the problems with them, identify some additional ideas that might help, and then offer some potential polices and interventions at national, regional and city level.

Much of what I'll say rests on the insights of the field of ecological economics. This sees the economy as embedded in the material world: energy and materials, once extracted, flow through the economy, becoming degraded, until they are ultimately deposited in the planets ecological "sinks" - air, soils, and water bodies. In our work we also draw on insights from other schools, notably feminist, Keynesian and Marxist political economy.

Our focus is on the unsustainability of the present model and of many current versions of "sustainability". The key problem is economic growth on a finite planet – with critical limits at both the resources and the sinks end of the chain – in addition to the internal contradictions of the (can I say "capitalist"?) economy.

Adding aspirational adjectives to growth, "inclusive", "green", "smart" …. doesn't change the basic reality. John McDonnell was very clear on this when he addressed the IPPR in 2017:

> *Every 1% added to global GDP over the last century has meant, on average, adding 0.5% to carbon dioxide emissions. As the size of the world economy has grown, so too has the pressure it places on our ecosystems. The consequences of that pressure are now becoming all too apparent.*[2]

Green growth relies on a "decoupling" of economic growth and material flows through the economy. There is no evidence that this is achievable on a permanent basis and at the level required to decarbonise the economy. On the contrary, continued GDP growth makes the job harder, since until the economy (including its global connections) is 100% zero carbon, part of that growth will create increased emissions.

1 Based on a talk given to Manchester Labour Backbenchers' Committee, 6 February, 2020.
2 J. McDonnell, 'Speech: IPPR conference.', 14-Nov-2017. [Online]. Available: https://labour.org.uk/press/john-mcdonnell-speech-to-ippr-conference/.

That's the background but the consequences are difficult. That's because ceasing growth, in a system dependent on expansion for its own economic viability and to redistribute its surplus, is going to mean severe challenges. It is likely that the present system would eventually collapse (although Japan has done rather well with decades of extremely low GDP growth). However, continuing the material expansion of the economy will also bring eventual collapse due to the increasing cost of energy exploitation and mineral extraction, ecosystem destruction, and pollution, transgressed planetary boundaries of which the carbon dioxide causing the climate emergency is just one very prominent aspect.

Can the necessary refocussing of the economy to keep within planetary limits also address the economic disadvantage and exclusion so endemic in parts of our city? Our work, is centred on the concept of the *Viable Economy*: ecologically, socially and economically viable. Unless all three are met, things fall apart. Our Viable Economy pamphlet (soon to appear in an expanded second edition) aims to set this out in concise terms, accessible to the interested general reader.

There are some helpful concepts that we can work with, already embraced here, or not far from here. But for each there is a critique that means they need adjusting to comply with the ecological reality.

1. *Community Wealth Building* (CWB): adopted by Labour, promoted by the Centre for Local Economic Strategies (CLES), and implemented in a number of authorities. However, while it keeps more wealth local, it doesn't make fundamental changes to the system, instead reliant on capturing the value produced by the destructive system.
2. *The Foundational Economy*: promoted by colleagues at the University of Manchester Business School, and popular in South Wales, builds resilience in the local economy by focussing, as does CWB, on the place-based and not too glamorous bits of the bread and butter economy. But it is non-specific ecologically speaking.
3. *The Circular Economy* is a great slogan, suggesting that resources can be recirculated thus reducing the impact on both resource sources and sinks. However, most descriptions of it argue that it promotes growth, while it still faces logistic and physical constraints, so any respite for the ecosystem would be temporary at best.
4. *Radical localisation*, which we promote, along with the Transition Towns movement, Stir Magazine, and others, has things in common with CWB and FE and it also tackles the problem of dependence of long and complex supply chains. But it can become isolationist and vulnerable to co-option by the ecological right wing.

5. *Social realm interventions* emphasise collective solutions, Universal Basic Services, some version of Universal Basic Income, the commons and public ownership. However, alone they do not tackle the problem of material flows and like the Green New Deal proposals, could increase them.

So these approaches, while sources of insights, need re-working under conditions of impending system disruption and potential collapse. Some of this is happening. For example, it is encouraging to see the Foundational Economy group acknowledging the ecological gap in their thinking, while CLES is working to integrate CWB with the idea of a local GND.

In the associated handout, there are policy proposals and interventions at the national, regional and local level, that should give an idea of what a more adequate approach to the dilemma might be. Elsewhere I have explored these ideas in relation to the competing traditions within the Labour movement.

At the local level the handout offers some outline examples in the fields of mobility, procurement and housing. From these I identified two key principles:

***Principle 1*: Emphasise use of locally available sources of finance:**

> For example, local budgets, captured financial flows, investments made by the local economy, revenue from local levies, fees and fines for carbon-intensive discretionary actions. These can be used to exert leverage on other financial flows. This approach contrasts with the dominant emphasis on inward investment which inevitably prioritises a return to take back out of the local economy.

***Principle 2*: Spend money in ways that while reducing carbon emissions, have co-benefits for health, liveability, and social and economic resilience.**

> *Targets:* Lower carbon mobility through increased public transport, active travel.   Energy conservation. Local green and social economy. Lower tech solutions.
>
> *Co-benefits:* urban liveability, health, air quality, reduced accidents, release of tied up money, time, local green and social economy, healthy temperatures, reduced expenditure and debt.
>
> *Emergent challenge*: rebound emissions chiefly through the release of money towards ecologically higher impact activities and products.

In relation to emissions, specifically, a lot can be done by widening the focus. Carbon budgets for Manchester and Greater Manchester have been rigorously developed by the Tyndall Centre. They cover two dimensions of our the carbon footprint: the direct emissions from the territory of Manchester / Greater Manchester, as estimated from national data (known as “Scope 1”), and the emissions from the power system – basically the electricity and gas grid (“Scope 2”).

It is important that we focus on these. But there are two other kinds of carbon footprint that we need to consider.

- The emissions attributable to our consumption of goods and services, where the emissions take place beyond Manchester's borders ("Scope 3").
- Financial – based emissions, based on the way money is invested here, for example by our Pension Funds, or the council's associated enterprises such as the Manchester Airport Group.

Both give significant opportunities otherwise missed. For example, via procurement strategies to reduce supply chain emissions, by driving changes in food consumption, or by retaining equipment for longer; or on the finance side, by redirecting investments in fossil fuel industries and the finance houses that support them, towards the clean and local economy.

We also need to focus more on adaptation, or what I call "shock-proofing". Things are going to get nasty. Food supply and energy shocks are increasingly likely scenarios. Interestingly, many of the actions to reduce emissions (e.g. local production of energy and food) also help build resilience against the shocks that are caused by rising emissions and by geopolitical instability.