

Green Economics

We have taken the story as far as we can in terms of developments in the academy. Herman Daly's book *The Steady State Economy* was published in 1977 and gave a clear indication of the need to respect planetary and energy limits—and yet little has changed in the political or economic arena. The next two chapters cover schools of economic thought that take a more overtly political approach. Green and anti-capitalist economists would both subscribe to the view that there is an inherent political block preventing the evolution of academic and theoretical economics in a direction that would be benign for the planet. Green economists would identify themselves more with the tradition of political economy. In contrast to neoclassical and environmental economists, who have faith in a perfect system of understanding which can generate beneficent outcomes, green economists would argue that the environmental problems we face as a result of economic activity cannot be solved without fundamental political changes.

My own book on this subject summarises the unique role of green economics as follows:

Green economics has not grown up as an academic discipline but from the grassroots. It is distinct from environmental economics, which uses conventional economics but brings the environment into the equation; and ecological economics, which is still a measurement-based and academically focused discipline.

There are some ecological economists who are focused strongly on political economy and the Marxist economists whose work is presented in the following chapter share this approach, but green economics is the most politically oriented of the schools outlined in this book, with much of the policy development actually happening within Green Parties.

Section 6.1 outlines the key values on which a green economy would be based and describes how green economists seek to re-embed the economy within the environment. Section 6.2 then proposes green economics as a new paradigm for economic life that is neither communism nor capitalism. Section 6.3 discusses some of the key policies that would be needed to shift economic life towards a green economy. The following section, 6.4, provides practical examples of working green economies in the form of ecovillages and intentional green communities. Finally, Section 6.5 offers a case-study of complementary currencies as a fundamental part of an empowered local economy designed along green lines.

6.1. *An Economy with Soul*

Green economists would accept many of the theoretical conclusions of the ecological economists, especially the importance of ending economic growth and developing a steady-state economy. Some of the central tenets of green economics are presented in Box 6.1.

Box 6.1 Ten Design Principles for a Green Economy

1. The primacy of use-value, intrinsic value and quality: the primary objective as the meeting of need rather than the generation of profit
2. Following natural flows and working with the grain of nature rather than engaging in a battle for domination of nature
3. Waste equals food: the by-product from one production process should become an input to another production process
4. Elegance and multifunctionality: the search for energy-efficient design and synergies in all economic processes
5. Appropriate scale: rejecting the quest for economies of scale in favour of a size that is sustainable and just
6. Diversity: seeking a range of forms of organization in place of the uniformity of the global marketplace
7. Self-reliance, self-organisation, self-design
8. Participation and direct democracy
9. Valuing and encouraging human creativity and development
10. The strategic role of the built environment, the landscape and spatial design

Source: Adapted from Milani, 2000.

From a green point of view, it is difficult to separate the discipline of 'economics' from the other aspects of life, since the idea of holism — all aspects of life being interconnected — is central to a green philosophy. In terms of their view of the conventional economic model, green economists reject the concept of the 'externality'. Holism suggests that everything is connected and that we need to address the planet as a system rather than looking at economic activity as separate from political activity, or industrial production as separate from health care. Clearly, if people working in sweatshops have unhealthy conditions, or the factories produce noxious pollution, this needs to be considered when making economic decisions, not just in terms of health policy.

Figure 6.1. 'Widening the consideration of economics beyond the classical economists' 'circular flow'' near here [nice version by Imogen]

Conventional economics models the economy as a ‘circular flow’, with goods and services, labour, and capital moving between firms and households. For a green economist, we need to also consider the biosphere. When a conventional economist talks about pollution as an ‘externality’ we feel bound to ask where is that place that is outside our biosphere that the pollution goes to? From a green economics perspective the slogan ‘What goes around comes around’ is more appropriate than talking about an external place where we can dump our wastes. The extended view of the productive economy as a circular flow including the biosphere is illustrated in Figure 6.1.

Figure 6.2. illustrates another important dimension of green economics: this is the importance of the positioning of the economy within social structures. The three circles on the left illustrate the orthodox economics view, with society, economy and environment as three separate circles which interact. The green economics perspective is illustrated on the right. The economy is found within society, so that economic decisions are subject to social judgements and democratic decisions. The market should be regulated to enhance social well-being rather than maximizing profits and existing in some realm of supra-social pseudo-physical laws. Similarly, society needs to respect the fact that we are operating within a limited planetary system, and human culture needs to become re-embedded within the natural world.

Figure 6.2. Rethinking the Relationship Between the Economy, the Environment and Society

Most of the debate thus far in the book has been conducted by the very narrow elite of Western, white men, who dominate the academic discipline of economics. It is a commitment of green economics that a broader range of perspectives should be included in the discussion. So voices from the global South and women’s perspectives are valued and encouraged. The movement away from econometrics towards more human, descriptive methods also helps to avoid the alienation of so many people from economic debate. Table 3.1 provides a simplified distinction between the HE and SHE economies; it is important to note that the ‘feminine’ side actual reflects feminine values rather than suggesting in a simplistic or essentialising way that the characteristics on the SHE side are the exclusive preserve of the female sex.

Table 6.1. *Comparison between the HE (hyper-expansionist) and SHE (sane, humane, ecological) possible futures*

HE	SHE
Quantitative values and goals	Qualitative values and goals
Economic growth	Human development

Organisational values and goals	Personal and inter-personal values and goals
Money values	Real needs and aspirations
Contractual relationships	Mutual exchange relationships
Intellectual, rational, detached	Intuitive, experiential, empathic
Masculine priorities	Feminine priorities
Specialisation/helplessness	All-round competence
Technocracy/dependency	Self-reliance
Centralising	Local
Urban	Country-wide
European	Planetary
Anthropocentric	Ecological

Source: Robertson, 1985.

6.2. *An Alternative to Capitalism that Isn't Communism*

The following chapter will explore how a critique of capitalism as an economic system can be made into a school of environment-focused economics, but I should draw attention to the fact that most green economists are opposed to capitalism, at least in the form we see it today, with the consolidation of businesses within many sectors on a global basis and most economic power lying in the hands of corporate elites and beyond democratic decision-making. Porritt makes the case for a sympathetic view of capitalism, and a pragmatic acceptance of its central role in our modern society:

Like it or not (and the vast majority of people *do*), capitalism is now the only economic game in town. The drive to extend the reach of markets into every aspect of every economy is an irresistible force, and the benefits of today's globalization process still outweigh the costs—however substantive those costs may be, as we shall see. The adaptability and inherent strengths of market-based, for-profit economic systems have proved themselves time after time, and there will be few reading this book who are not the direct beneficiaries of those systems. (Porritt, 2005: xiv)

However, other green economists reject this pragmatic approach and argue for an economic system which enables the economic empowerment of local communities and where co-operative forms of ownership and management replace the hierarchical and profit-driven businesses of the globalised economy.

A key difference between green economics and Marxist economics is the focus on localization and the devolution of power over economic decisions to the local community. Traditional Marxist solutions to the domination of the economy by private business have involved state ownership of key economic sectors—such as energy and banking. This would

be anathema to a green economist, who would rather argue for small-scale development and community control. (This is discussed further in Section 3.5 and in Chapter 12.)

As already mentioned, green economics critiques the male dominance of the neoclassical paradigm, and of economics as a university discipline, and the ecofeminists in particular have contributed a critique of the masculinist perspective offered by neoclassical economics and the central importance accorded to 'rational economic man':

Economic man is fit, mobile, able-bodied, unencumbered by domestic or other responsibilities. The goods he consumes appear to him as finished products or services and disappear from his view on disposal or dismissal. He has no responsibility for the life-cycle of those goods or services any more than he questions the source of the air he breathes or the disposal of his excreta . . . Like Oscar Wilde's Dorian Gray, economic man appears to exist in a smoothly functioning world, while the portrait in the attic represents his real social, biological and ecological condition (Mellor, 2006).

The point is not merely to link patriarchal power relations in personal and political realms with a similar power imbalance in the economy, but also to draw attention to the way in which domestic and caring work, which has traditionally been carried out by women, is devalued in a market economy, especially when it is unpaid. Table 3.2 presents Mellor's comparison of the economic functions that are valued within a patriarchal economy and those—generally associated with feminine values—which are denigrated or neglected.

Table 6.2. *Valuation of Activities and Functions Within the Patriarchal Economy*

<i>Highly valued</i>	<i>Low/no value</i>
Economic 'Man'	Women's work
Market value	Subsistence
Personal wealth	Social reciprocity
Labour/Intellect	Body
Skills/Tradeable Knowledge	Feelings, emotions, wisdom
Able-bodied workers	Sick, needy, old, young
Exploitable resources	Eco-systems, wild nature
Unlimited growth, consumption	Sufficiency

Source: Mellor (2006).

Hazel Henderson illustrated this selective blindness when considering what is 'economic' in her model of the global economy as an iced cake (illustrated in Figure 2.1). Economic decisions are taken based on a consideration of the top two layers (the public and private sectors), while the

layers on which they depend—the work people do reciprocally within communities and families, and the value nature provides on which everything else depends—are not considered. The illustration is also important because it reminds us that the market has not always been central to our economic lives. Before about 200 years ago communities provided for most of their own needs in terms of fuel, food and energy—trading was at the margin and mainly involved surplus production. Greens today emphasise the importance of engaging in ‘self-provisioning’ both because it reduces the environmental impact of consumption but also because they foresee the breakdown of the complex and lengthy supply chains of the globalised economy and argue for the importance of building resilience into local communities in the face of potential crises caused by climate change and the depletion of oil supplies.

Another defining feature of a green economy is its emphasis on post-materialist values: quality is more important than quantity, hence the importance of the discussion around the importance of finding a more balanced measure of economic activity than Gross Domestic Product (see Douthwaite, 1992 and the further discussion in Chapter 9). Research from the London-based New Economics Foundation has investigated the contribution to happiness that is made by material as compared with non-material goods. Figure 6.3 illustrates the levels of life satisfaction of people depending on their income and the extent of their social connections. It is clear that the very poorest people in society are unhappier than the rest of us, but people in the medium income group who have good social connections are nearly as happy as the richest in society, and happier than those in the high-medium income group, who are spending so much time earning money that they do not have time to maintain friendships. We might draw the conclusion that the economic activity we are engaging in to earn money is no longer making us happy—and in fact could be leading us into isolated lives which cause us to neglect our emotional and spiritual needs.

Figure 6.3. Life satisfaction according to level of income and extent of social connections

6.3. Policies to Create a Green Economy

Green economics is highly policy focused, but since space is limited here I cannot do more than outline two specific policies and then discuss a green approach to economic development. The first and perhaps most important policy is the Citizens’ Income. This is a form of universal benefit that is paid to every citizen in a country regardless of age and the extent of their involvement in the labour market. It is paid at a low rate that enables people to subsist but most would be expected to engage in some form of paid work

to supplement it. However, students or those who chose to pursue creative careers—such as artists or musicians—might choose to live on a very low income for some years to pursue their education or creative development. It is important that entitlement is a birth-right and does not depend on contributions paid, means-testing, or availability for work. It could rather be seen as a national dividend. Because it does not rely on means testing the CI policy would remove the poverty trap that prevents those on low incomes from taking paid employment because it would make them worse off if they lost all their benefits.

This policy is important because it provides a basis for the self-provisioning activities that can both provide self-reliance and also reduce dependence on an oil-hungry distribution system. However, it also raises important questions about land ownership and use, if viewed as a national dividend. Those who own land are effectively enjoying the income from ownership of a part of the common wealth of the nation. Those who do not should be compensated in the form of a national dividend which represents their share of this wealth. Conventional economists argue against the Citizens' Income proposal on the basis that it is a passport to paradise for the work-shy. A green economist might respond that there is no justice in a landowner living from rental income if a working person is not permitted to do the same.

The question of land links to the other key green policy proposal that would shift power within our economy: a Land Value Tax. At present land ownership is highly concentrated. In the UK, for example, 64% of the land belongs to 0.28% of the population and much of the land still belongs to descendants of the nobles who conquered England in 1066 (Cahill, 2001: 208). While green economists might criticize the ownership of our most valuable national resource in such an imbalanced and unjust way, conventional economists should also be critical of the inefficient use of it. For the classical economists concentrated land ownership was a concern because the wealthy who live from rents have no incentive to use their land efficiently. At present there may be an incentive to keep land unused while waiting for its value to rise—as supermarkets do with their 'land banks'. However, greens would not argue for more economic development, and the limited building that was considered to be necessary for the social good should be designed to achieve environmental and social goals, with the land tax being operated in conjunction with the planning system.

The idea of a land tax was popularised in the late 19th century by Henry George, who built an international movement by arguing that the value gained from land should be shared between all members of the community. Land was marginalised in economic theory during the 20th century, but green economists, unsurprisingly, have made it central to their consideration of the economy. The central principle underlying the land tax is that the increase in

land value arises from social investment—for example the increase in the price of houses near the site where the Olympic developments are taking place in Greenwich, London—and therefore this increase in value should return to the community in tax rather than being kept by the individual:

The arguments for a land-rent tax are to do with fairness and economic efficiency. Most of the reward from rising land values goes to those who own land, while most of the cost of the activities that create rising land values does not. This is because rising land values—for example in prosperous city centres or prime agricultural areas—are largely created by the activities of the community as a whole and by government regulations and subsidies, while the higher value of each particular site is enjoyed by its owner. (Robertson, 1999: 67-8)

Moving beyond just the question of land, green economics has a particular view of how economic development might take place if it were to be truly sustainable. The central principle is that of the closed loop or closed system:

Closed systems. It is here that the solution lies. And closed systems will take the form of local organisation, local economies. There will be no alternative. They will not be able to buy-in their needs, to import their way out of trouble. Local lean economies will not simply be a good idea; they will be the only option (Fleming, 2004).

To explain in practical terms what this means we might consider a market town with its rural hinterland deciding democratically how to use the land available to it. We can already see that economic planning would be based much more locally, without the global supply chains we rely on today to access our goods. So we would come to depend more on what we could produce locally, and our wastes would also stay within this small unit. Hence we would need to find practical uses for our waste products, for example designing packaging which could biodegrade into useful soil to produce crops for food or textiles. This takes us on to consider what green communities might look like according to green economists.

6.4. Ecotopias in the Here and Now

As should have become clear by now, greens have a different conception of how society should work from the prevailing orthodoxy. This is partly about the global-local dimension that is discussed further in Chapter 12, but it runs much deeper and broader than that. In my own work I have argued for a bioregional economy based on a new consumption ethic. This involves a thorough re-exploration of what life is for and how we can live better lives

with closer relationships in functioning communities, rather than as the atomized, isolated consumers that the globalised capitalist economy has created. Greens have been inspired by the historical examples of communes to create eco-villages, which can develop new lifestyles that minimize resource use, develop social and technological innovations such as low-impact buildings and community currencies (see more in the case-study in Section 6.5), and model the low-carbon life that can ensure a safe future for humanity. The Eco-Village Network is now a global movement that is experimenting with sustainable community living.

A concept that helps to illustrate how a green economic life might offer a higher standard of living with a lower level of material wealth is conviviality. Here is how Illich (1974) describes conviviality:

I choose the term 'conviviality' to designate the opposite of industrial productivity. I intend it to mean autonomous and creative intercourse among persons, and the intercourse of persons with their environment; and this in contrast with the conditioned response of persons to the demands made upon them by others, and by a man-made environment. I consider conviviality to be individual freedom realized in personal interdependence and, as such, an intrinsic ethical value. I believe that, in any society, as conviviality is reduced below a certain level, no amount of industrial productivity can effectively satisfy the needs it creates among society's members.

Conviviality requires a rethinking of what an economy is for. It means a reduction in working hours and more time spent in relationship and problem-solving in communities. It means more make-do-and-mend and less monetary exchange, and local identity rather than brand loyalty.

Richard Douthwaite argues for the development of a 'peasant economy' by which he means an economy where 'most families own their means of making their livelihoods, be this a workshop, a fishing boat, a retail business, a professional practice or a farm.' He contrasts this with the industrial economy that dominated the 20th century:

The difference between the industrial and peasant systems is not only that one seeks to minimise the returns to labour and maximise those to capital, while the other wants to minimise the return to borrowed capital and maximise a wide range of benefits including income for the group involved. There is also a difference of scale. An investor-owned, industrial-system venture can grow extremely large through mergers or by ploughing back its profits, the techniques which General Motors - with 251,130 people on its payroll and an income which exceeded the GNP of all but twenty-one countries - used to become the biggest company in the world in terms of employment at the beginning of the 1990s. Peasant projects, by contrast, tend to stay fairly small (Douthwaite, 1996: 32).

Greens believe that, in economic terms, small is beautiful because it allows people to show more respect and responsibility for their part of the world. Perhaps NIMBYism is not such a bad thing: if everybody took responsibility

for their own backyard, since each part of the planet is somebody's backyard, the whole planet could be safeguarded. Similarly, if we were required to take responsibility for our waste within our local economy rather than exporting it, we would be likely to ensure that it was minimized; and if we only had access to the resources our local area provided, we would use them more carefully. To summarise, 'From a radical green perspective, reduced affluence, self-sufficiency, small-scale living, localized economies, participatory democracy and alternative technologies – all are key ingredients of an ecologically benign and socially just society' (Pepper, 2008).

Less radical greens are concerned that this strategy of building self-sufficient communities may be a form of escapism that is either a distraction from the need for political change, or a preserve of the wealthy. North (2009) considers that localisation offers new ideas about 'livelihood' as opposed to 'employment' that are inherently anti-capitalist but is critical that the smaller economies proposed by radical greens may be impractical and inefficient, especially in terms of economies of scale. They may also be authoritarian and inward-looking. Pepper also finds the proposal to return to an era of local production and consumption to be impractical, in an era when communities are much more fluid than they once were and both products and production processes far more complex and specialized:

They cannot (realistically) reverse what has been a hugely strong historical (even ahistorical) drive towards functional differentiation—spatially and between economic, political and technological subsystems—creating a highly mobile and pluralist world society where traditional bonds are irrevocably loosened (Pepper, 1993: 227).

For some greens, the response to such a critique would be to draw attention to the enormous consumption of fossil fuels that has enabled this sort of society and economy, and the carbon dioxide emissions associated with it that the atmosphere can no longer assimilate. The other fork of this argument is that identified in the subtitle to Douthwaite's (1996) book 'Strengthening Local Economies for Security in an Unstable World': it may not be a question of choice. As the triple crunch of financial crisis, ecological crisis and peak oil intensifies, we may simply not be able to rely on the lengthy supply chains and international trade negotiations that have underpinned the provision of our basic needs for the past 30 years or so.

6.5. *Case-Study: Complementary Currencies*

There is a dominant strand of scepticism about money amongst green economists, who argue that the way money is created as debt by banks has led to both inequality and environmental pressure (Douthwaite, 1999). Since money is lent into circulation rather than being spent into circulation, those

with lower incomes are obliged to borrow it from those with larger incomes—and pay for the privilege. And the debt that supports the creation of credit acts like a demand on future goods and services, thus creating the pressure to grow that is the central driving-force of a capitalist economy. The majority of green economists argue for monetary reform so that money becomes once again a source of 'common wealth' (Robertson and Huber, 2000; Mellor, 2010).

Money also tends to leak out of local economies into elevated circuits where it is used simply to generate more money, not facilitating the production and exchange of real economic activity. To build the strong local economies that green economists believe are necessary to reduce our planetary impact we need to find ways to stop value leaking out of the local economy. Nef have developed the concept of the 'leaky bucket' to illustrate how money that comes into a local economy leaves almost immediately if it is spent in a local branch of a chain. If it is spent in a local shop, by contrast, it circulates more times—a process referred to as the 'local multiplier'—thus building strength into the local economy.

One way of ensuring that money cannot leave the local economy is by transforming it into a local currency. By definition this can only be spent in local shops and is issued as a sort of voucher by a community group. An example is the Berkshare, which has been operating in the US state of Massachusetts since autumn 2006. The notes are accepted by more than 365 businesses and more than one million circulated in the first nine months of the scheme. According to the scheme website (<http://www.berkshares.org>), 'The people who choose to use the currency make a conscious commitment to buy local first. They are taking personal responsibility for the health and well-being of their community by laying the foundation of a truly vibrant, thriving local economy'.

The Transition movement in the UK has followed this lead, with four communities—Totnes, Lewes, Stroud and Brixton—setting up currencies in 2008 and 2009. All are exchanged one-for-one with sterling so that consumers and businesses can rely on the credibility of the national currency—although the aim is that the money should be spent many times in the local economy before being swapped back. A survey undertaken a year after the launch of the Lewes pound indicated that traders who had joined the scheme were positive about it with 75% saying that it offers an opportunity to support the local economy. However, a weakness is that the currency often only circulates one before being switched back for sterling. Stroud has introduced two features to help to counteract this: a 'demurrage' charge which means that a small percentage has to be paid at regular intervals to keep the currency valid, and a redemption fee for businesses who seek to swap their Stroud pounds back to sterling. For more details of how community currencies work, see North, 2010.

Summary Questions

- What would a green economist make of the concept of an 'externality'?
- Would a green economist argue that women should be paid for housework?
- What is the difference between employment and a livelihood?
- What is the use of a local currency if everything sold in the local economy is produced in China?

Further Reading

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