

Progressive Economics Group (PEG)
Policy Brief
A Sustainable Economy

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Policy Issue

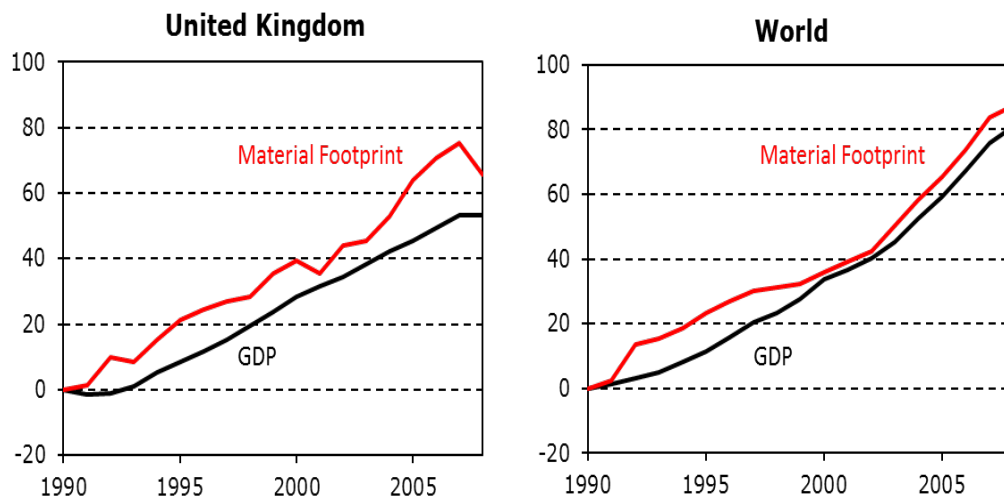
Economic growth remains the predominant policy goal in the UK. Section 108 of the *Deregulation Act 2015* requires that any person exercising a regulatory function must have “regard to the desirability of promoting economic growth” (the so-called “growth duty”). However, the pursuit of economic growth stands at odds with environmental sustainability, and it is not needed to achieve social objectives such as full employment and improved quality of life. A fundamentally different approach to managing the economy is required that puts people and the planet ahead of growth in GDP.

What policies should a Labour government apply to achieve a sustainable economy?

Analysis

Economic activity is tightly linked to resource use and its environmental impacts. The charts show the UK's *material footprint* in comparison to its GDP. Material footprint is one of the most comprehensive environmental pressure indicators currently available. It measures the total quantity of all materials (biomass, minerals, and fossil fuels) required to support a country's consumption of goods and services, irrespective of where these materials originate (i.e. it fully accounts for international trade). Although it is sometimes suggested that economic activity may be decoupled from environmental impacts (the idea of “green growth”), there is little evidence to support this claim. Material footprint has increased *faster* than GDP in the UK, and at the global scale material footprint parallels economic activity very closely.

Figure 1: Material footprint in comparison to GDP (indexed to 1990)



Source: [Wiedmann et al. 2015](#), *PNAS* 112 (20), 6271-6276

The relationship between GDP and environmental pressure is particularly worrying because resource use has already reached an unsustainable level. A [major study](#) in *Science* in 2015 attempted to define the “safe operating space” for humanity on this planet. The authors identified nine planetary boundaries related to key Earth-system processes. They concluded that humanity was currently transgressing four of these critical boundaries, those related to climate change, biodiversity loss, land use change, and biogeochemical flows (phosphorus and nitrogen). The authors warned that

transgressing one or more of these boundaries could lead to catastrophic changes at the continental to global scale.

Even if we could find an economic growth strategy that did not use up resources or negatively impact the environment, there are strong reasons to believe that further growth in wealthy countries would not be worthwhile. Although per capita GDP has more than tripled since 1950 in Britain, people have not become any happier. Surveys of happiness and life satisfaction suggest that—beyond the level required to meet people’s basic needs — additional money does not buy additional happiness. Once people’s basic needs are met, factors such as personal relationships, good health, living in a safe community, and working in a secure job become much more important to people’s well-being than additional growth in GDP.

Policy Framework

For these reasons, **Labour should abandon the pursuit of GDP growth as an overarching goal. It should instead aim to improve quality of life and environmental sustainability directly.** A number of *ecological macroeconomic models* exist which explore the policy changes needed to achieve a sustainable economy. These changes include:

- 1. Limits on resource use and waste production:** Under a previous Labour government, the UK made the important commitment to reduce greenhouse gas emissions by 80% by 2050, addressing one of the nine planetary boundaries. However, the other eight still remain. Caps should be set on the use of resources and the emission of pollutants based on the best scientific evidence available about ecological limits. Renewable resources, such as fisheries and forests, should be harvested no faster than they can be regenerated. Non-renewable resources, such as phosphorus, should be used no faster than their waste products can be absorbed.
- 2. Greater income and wealth equality:** Economic growth is often used as an excuse to avoid dealing with poverty and inequality. The conventional view is that “a rising tide lifts all boats”, but this trickle-down approach has not worked in Britain, and inequality has risen markedly over the past thirty years. Strong policy interventions are needed to reduce inequality, such as a universal basic income and a universal maximum income. As a first step, Labour could introduce a basic income pilot project and set maximum pay differentials within government. Efforts should also be made to democratise the places where people work and encourage more cooperatives.
- 3. A shorter workweek:** Over time, labour productivity has gradually increased, such that the same goods and services can be produced with less labour now than a generation ago. Instead of using the benefits of technology to reduce working hours, however, we have largely used them to produce more. But we can’t keep ramping up production when we are already transgressing four planetary boundaries. Instead we can use the benefits of technological progress to reduce average working hours, and move towards a 4-day workweek. As a first step, a policy could be introduced to give employees the option to choose a shorter workweek if they desire it. Besides increasing leisure time and improving well-being, this policy would help keep unemployment low by distributing available work more equally.
- 4. Better measures of progress:** New indicators should be introduced to replace GDP. Instead of a single indicator, I suggest five headline indicators: *well-being* (i.e. self-reported life satisfaction), *inequality* (the after tax income of the top 10% of households in relation to the bottom 10%), *employment in good jobs* (the percentage of the labour force with a secure job that pays at least the living wage), *material footprint* (the total quantity of biomass, minerals, and fossil fuels required to produce the goods and services consumed in the UK), and the *genuine progress indicator* (an “adjusted GDP”, currently used in the US states of Vermont and Maryland, that adds the value of non-market activity such as household and volunteer work, and deducts the cost of undesirable activity such as crime, pollution, and depletion of natural capital).

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