



ELSEVIER

Contents lists available at SciVerse ScienceDirect

Environmental Innovation and Societal Transitions

journal homepage: www.elsevier.com/locate/eist



Viewpoint

A possible way out of the combined economic-sustainability crisis

Philip J. Vergragt ^{a,b,*}

^a Tellus Institute, Boston, United States

^b Clark University, Worcester, MA, United States

ARTICLE INFO

Article history:

Received 30 October 2012

Accepted 30 October 2012

Available online 1 December 2012

Keywords:

Ecological crisis

Economic crisis

Equity

New economy

Sustainable consumption

ABSTRACT

A viewpoint is offered on the complexities of the combined economic-sustainability crisis, and a possible way forward starting with addressing inequalities.

© 2013 Published by Elsevier B.V.

The crisis we face is much more than “just” an ecological and an economic crisis. It is a worldwide phenomenon that also includes growing disparities in wealth between and within countries, and a weakening of the democratic institutions and legitimacy of governance systems and political parties, business institutions and even NGOs. It is a multifaceted challenge to our established ways of producing and consuming; of living our lives, educating our children, and preparing for retirement; and of governing ourselves in democratic and just ways.

It seems like a crisis of civilization. It certainly is a crisis of modernity. We are facing fundamental questions regarding the key tenets of the industrial revolution, such as economic growth, work ethics, the meaning of progress, and our relationship with nature. The very ability of the current economic and value systems to deliver decent lives for most people on the planet, now and in the future, is open to question. This recognition has been the driver of the “Occupy Wallstreet” movement; and is the inspiration for the Degrowth (Kallis, 2011), the New Economy (Speth, 2012), the Solidarity

* Correspondence address: Tellus Institute, Boston, United States. Tel.: +1 617 266 5400.
E-mail address: pvergragt@tellus.org

Economy (Kawano et al., 2010), and the “Smart CSO” (Civil Society Organization) (Narberhaus, 2011) movements, and the Great Transition initiative (<http://gtinitiative.org/>).

So far the solution to this wicked problem has evaded us collectively. We already know that the pursuit of GDP growth – and the consumerist culture as its bedrock – is clearly delivering diminishing returns in terms of life satisfaction, social cohesion, public health, and other dimensions of societal well-being. And it is becoming apparent that ecologically oriented and energy-efficient new technologies, on which the hope of green growth proponents is focused, are also inevitably bound to deliver disappointing improvements because of all kinds of rebound effects (Herring and Sorrell, 2008).

Some see the solution in various grassroots initiatives and countercultural movements, such as “slow” living, Transition Towns and local currencies. However, scaling up of these initiatives, while preserving their subversive character, remains problematic (Smith, 2007). Others focus on niche experiments and socio-technical transitions, including major technological, institutional and cultural shifts, possibly combined with grassroots innovations. Some emphasize the need for new macro-economic principles and models, which are rooted in the steady state rather than growth paradigm, and for using alternative to GDP indicators for societal progress (Harris, 2013). This approach would also foster new forms of business ownership, emphasize local and informal economies (self-provisioning, collaborative consumption, local currencies, time banks, product-to-service alternatives, and others), and possibly shorter working hours with mandated living wages. This could be a way to replace material consumerism with another value system, and to reduce unemployment and income inequalities.

For sure, such a new economy would contribute to strengthening the democracy and possibly engender new social movements, but it would also require simultaneous fundamental changes in the teaching of and research on economics, and in government institutions.

Looking at this formidable set of interrelated problems and potential solutions I have come to the conclusion that a radical reduction of the current wealth and income inequalities is the most promising way forward. Less inequality means that the poor would be less poor; which could in principle be achieved by a basic income for everyone, working or not (Olin Wright, 2005). It would mean taxing the rich: in their income, their property, and their inheritance; and a global tax on financial transactions (the “Tobin tax”). This would create a vast source of funding for sustainable investments, which would create jobs, reduce pollution, and strengthen local communities. It would mean investments in things that we value most: fine education, arts, healthcare, childcare and elderly services, public infrastructure, renewable energy, and community development. If these services are widely available and affordable it would reduce the need for a higher ‘disposable income’ for the middle class. On the contrary people could afford to work less hours per week because child care would be available and affordable; they would need to save less for their children’s education and their own retirement and health care.

It has been amply documented that more equal societies perform better on a wide range of social indicators of well-being, including social trust and support for democratic institutions, political participation, educational outcomes, health status, crime and opportunities for social mobility (Wilkinson et al., 2009). A society with large income disparities provides the free market system with a perfect setting for exploiting the natural human tendency toward insatiability and positional consumption, and thus perpetuates and inflames the consumerist society. Less inequality will also mean lower material consumption and a smaller environmental burden, while providing greater life satisfaction and a higher standard of living for most people.

In short, I argue for returning to the values of the welfare state that have been eroding in Europe and the US since the 1980s. But this would be a welfare state in which the combination of high labor productivity we have achieved, less consumerism, and education that could provide for full employment and entrepreneurship, would allow people to work fewer hours and engage in leisure activities—as already envisioned by John Maynard Keynes in his visionary (1936) essay.

Where would the social support and the political will come from to implement such changes? There are basically only two scenarios: a strong and visionary citizens’ movement, which would put pressure on the governments; or a major social collapse, caused by persistent high unemployment, deterioration of physical and institutional infrastructures, neighborhoods, and cities, and declining life support systems of the Earth. Politicians would then be forced to react, although it might be too late.

Acknowledgement

With thanks to Halina S. Brown for inspiration and helpful edits.

References

- Harris, J.M., 2013. The Macroeconomics of development without throughput growth. In: Cohen, M., et al. (Eds.), *Innovations in Sustainable Consumption: New Economics, Socio-technical Transitions and Social Practices*. Edward Elgar, Northampton, MA, USA (Chapter 2).
- Herring, H., Sorrell, S. (Eds.), 2008. *Energy Efficiency and Sustainable Consumption: The Rebound Effect*. Palgrave Macmillan, Basingstoke, Hampshire, UK.
- Kallis, G., 2011. In defense of degrowth. *Ecological Economics* 70, 873–880.
- Kawano, E., et al. (Eds.), 2010. *Solidarity Economy 1: Building Alternatives for People and Planet; Papers and Reports Form the 2009 US Forum on the Solidarity Economy*. Center for Popular Economics, Amherst, MA, USA.
- Keynes, J.M., 1936. *The General Theory of Employment, Interest and Money*. Polygraphic Company of America, New York.
- Narberhaus, M., 2011. Smart CSOs: Effective Change Strategies for the Great Transition: Five Leverage Points for Civil Society Organizations. http://www.pacinst.org/topics/globalization_and_environment/public_policy/effective_change_strategies_for_the_great_transition.pdf
- Olin Wright, E., 2005. Basic income as a socialist project. In: Paper Presented at the Annual US-BIG Congress, March 4–6, University of Wisconsin.
- Smith, A., 2007. Translating sustainabilities between green niches and socio-technical regimes. *Technology Analysis & Strategic Management* 19 (4), 427–450.
- Speth, J.G., 2012. *America the Possible; Manifesto for a New Economy*. Yale University Press, New Haven, CO, USA.
- Wilkinson, R.G., Pickett, K., 2009. *The Spirit Level: Why More Equal Societies Almost Always Do Better*. Allen Lane.