We need a new model of economic development.

There is a striking consensus about the nature of the economic development that is needed in the UK. The main political parties, business, the unions and most economic commentators share two basic assumptions[i].

1. That economic growth must continue, year on year.
2. That success depends on being competitive in the global economy.

I am going to dispute those assumptions and then suggest some different ways of thinking about economic development. The ideas presented here are not particularly original, but perhaps their juxtaposition is[ii].

Growth

Growth over the last 10 years in the UK has averaged 2.64% p.a. - an economy that *doubles* in size every 26 years[iii]. The global economy is almost 5 times the size it was 50 years ago [iv].

This has an environmental cost. Our ecological footprint in the UK is 5.3 hectares per person – that is to say we each depend on that area for our consumables, recreation, carbon sequestration and so on. But the available 'biocapacity' of the UK provides little more than half that (3.7) – a negative ecological debt[v]. As growth increases our ecological debt increases along with that of all the other countries. As the Global Footprint Network[vi] puts it:

> *Today humanity uses the equivalent of 1.3 planets to provide the resources we use and absorb our waste. This means it now takes the Earth one year and four months to regenerate what we use in a year.*
> *Moderate UN scenarios suggest that if current population and consumption trends continue, by the mid 2030s we will need the equivalent of two Earths to support us. And of course, we only have one.*
> *Turning resources into waste faster than waste can be turned back into resources puts us in global ecological overshoot, depleting the very resources on which human life and biodiversity depend.*

Some have suggested that it is possible to decouple growth from material throughput – that is to make growth happen without corresponding growth in resource inputs (fuel, food, materials) and waste outputs (emissions of all sorts) – having our cake without getting obese. But the evidence, as reviewed by Tim Jackson, Economics Commissioner for the UK government's Sustainable Development Commission[vii] is that only a *relative* reduction in throughput is feasible. The *absolute* level of resources needed and waste produced continues to rise. So the ecological overshoot or ecological debt just goes on getting worse.

This problem is brought into stark relief by two fatal challenges:

1. ***Peak energy***. Oil, gas, uranium and even coal are at or approaching the point at which the rate of exploitation of resources falls behind the rate

of use. This means an energy crunch. We had a taste of this in 2008 with oil prices rising steeply. That was mostly a result of speculation, but this kind of volatility is likely to increase as the gap between exploitation and usage widens.

2) ***Climate change***: all the indications are that the situation is far worse than had been anticipated. Positive feedback effects ('non-linearities') magnify the impact of the rising carbon dioxide levels but they hadn't been properly understood and accounted (for example by the ealier International Panel on Climate Change reports) and hence government targets already too little and too late are now dramatically inadequate.

The first problem makes economic growth, reliant on its energy subsidy, implausible. The second problem makes it suicidal.

International competitiveness

As recently as the 1970s the UK manufactured much of what it needed. The new got 'globalisation' and manufacturing was mostly exported to countries with cheap labour. The globalization of trade is not new. Back in the 1890s cheap wheat imports from the US and Russia were driving UK farmers (including my own great grandparents) off the land. As a child in the 1950s some of my toys were imported from China (well Hong Kong). So the idea of specialising in certain areas of wealth generation and not competing where other international regions had competitive advantage goes back as long as fossil hydrocarbons have been subsidising the economy, and to some degree before that.
But the twin barriers of peak energy and climate change put an end to this. It simply won't be possible to import food and manufactured goods from across the world. It is even questionable how much national trade there would be with less (and much costlier) energy available to move things.
The idea of a UK region being competitive in a global context makes good sense in the context of cheap energy-fed globalised capitalism where production goes after cheap resource imports, cheap labour and new markets. But sooner than you might think it will no longer work, and will no longer be relevant. So investments made on the basis of this assumption are likely to be poor ones.

Alternative assumptions

So if we need to live on drastically reduced energy budgets we will need to adopt some new concepts to guide the development of prosperity. Here are some suggestions[viii].

1) Endogenous development.

Endogenous development means 'development from within'. using the human and material resources to hand rather than relying on investment from outside. It means building up local, ecologically sustainable production and distribution for

need in place of building development on captured wealth from elsewhere. This isn't just a case of bottom-up development – government has a role to play in facilitating it, just as it has always had with developments deemed to be national priorities[ix].

2) Trade subsidiarity

This means choosing carefully what to buy and sell beyond the local region. Only those things that cannot be sourced or produced locally should be brought in. There will still be some relationships with other parts of the world. These will involve necessary trade, sharing of knowledge and solidarity. In our relatively fortunate situation we have an ongoing responsibility to some producers as a result of the distortion of agriculture and other production over the years of colonial and postcolonial exploitation, to help such regions themselves to endogenously develop.

3) Bioregional scaling

Endogenous development and trade subsidiarity mean we also have to think carefully about the size of a region that can be reasonably self reliant in most things its population needs. A best guess would be what has been called a bioregion, or eco-region – often defined by the catchment of a river. An example is the area bounded by the Mersey watershed - Greater Manchester and Merseyside together with rural hinterland extending into the Pennines and parts of rural Lancashire and Cheshire. This would offer considerable diversity of ecologies and natural resources which will in turn have to be safeguarded and repaired to secure the sustenance for human settlement. Ultimately the bioregional scale will not be a policy choice but one made out of necessity. For now however we ca nmake a positive choice to emphasise development within this scale.

4) A new model of community

Ultimately this new world of low energy and local self reliance means a new approach to community life, one that could offer a solution to many of our present social ills. It means moving towards a way of living based on common interests, sharing and conviviality in place of the sad spectacle of pointless and alienated consumption and competition.

The implications of the end of economic growth and global competitiveness are profound and mean nothing less than a third industrial revolution, with an emphasis on production and distribution for need. It means the end of capital accumulation as the driver of the economy but it is still unclear what will take its place. The real challenge will be to scale down economic activity without abandoning large sections of the population to deprivation on a scale that will make the social conditions of the first industrial revolution look like a tea party[x].

Mark Burton
May 2009

Notes

[i] The immediate context for this discussion was reflection on dominant discourses within the North West Region and in particular the background papers for the North West Regional Development Agency's forthcoming Regional Strategy http://www.nwregionalstrategy.com/home. However, the assumptions are not unique to the North West and are indeed pervasive across the world in general.

[ii] The critique of economic growth goes back at least to the report Limits to Growth (Meadows et alo.) in 1972. Arguments against regional specialisation were persuasively made by Kropotkin in his book of 1912, Fields, Factories and Workshops.

[iii] http://www.tradingeconomics.com/Economics/GDP-Growth.aspx?Symbol=GBP The comparable international rates are 3.2% (21 years to double)for the advanced economies and 5.0% (14 years to double) for the rest (IMF members only) International Monetary Fund, World Economic Outlook Database, October 2008, cited by Manchester Independent Economic review http://www.manchester-review.org.uk/download/?id=549

[iv] Prosperity Without Growth: The transition to a Sustainable Economy. Tim Jackson Sustainable Development Commission http://www.sd-commission.org.uk/publications/downloads/prosperity_without_growth_report.pdf

[v] http://www.footprintnetwork.org/en/index.php/GFN/page/trends/uk/

[vi] http://www.footprintnetwork.org/en/index.php/GFN/page/world_footprint/

[vii] Jackson, T (2009) Prosperity Without Growth: The transition to a Sustainable Economy. London: Sustainable Development Commission http://www.sd-commission.org.uk/publications/downloads/prosperity_without_growth_report.pdf.

[viii] Some of the ideas presented here are explored at greater length in my pamphlet *A Green Deal for the Manchester-Mersey Bioregion* http://greendealmanchester.wordpress.com/

[ix] In Venezuela, where the term is being used widely, it also refers to community based production products pump-primed by generous State investment.

[x] The SDC paper cited above (vii) begins the task of developing a macro-economics of a no growth economy.