

Rethinking wellbeing seminar series

“ Thinking about
the economy
differently ”

Seminar Report

Introduction

- 1** This seminar series aims to challenge perceptions of wellbeing, and show the potential of thinking differently about the environment, economy and society for Scotland and its people.

The central theme is that for complex problems such as multiple deprivation, population health, climate change and loss of biodiversity we need to consider the environment, the economy and society holistically and in an inter-related manner. This means that we need to break down silos to help design effective policies and partnerships. The first event “*Thinking about the environment differently*” was held in September 2012.

- 2** The second seminar of the series focussed on ‘Thinking about the Economy Differently’, and this report has three aims:
 - To summarise the main outcomes of this second seminar;
 - To provide a building block for the eventual report for the overall series; and
 - To lay a foundation for the following seminar, ‘Thinking about society differently’, to be held on 20 February 2013.
- 3** The seminar comprised two presentations, followed by a Panel Session with Q&A and discussion (not dissimilar to a Question Time format). The audience included MSPs and their researchers, and other invited guests from a wide range of organisations and civic society in Scotland. Afterwards the Panel and Speakers were invited to a dinner and further discussion with MSPs.

Presentations

- 4 **Dr Aileen McLeod MSP**, a Director of Scotland's Futures Forum (the Scottish Parliament's think tank) welcomed participants to this second seminar in the series, and introduced the speakers. She said that rethinking our approach to wellbeing is about how Scotland can find different and better solutions to the intractable problems of environmental and social sustainability. Too often the economy, the environment and society are treated as 3 distinct silos, yet they are all inter-dependent and need to be joined up.
- 5 The ideas from the first seminar on thinking differently about the environment pointed towards smarter ways to secure more sustainable development. This includes rethinking governance, and designing effective partnerships between central government, the third sector and local and community levels, and between the state and market sectors.
- 6 This seminar will explore what a sustainable economy looks like, and how economic decisions affect our environment and society in both short and long term. What kind of economics will help secure wellbeing, quality of life, and tackle disadvantage? Is wellbeing dependent on economic growth? How should economics reflect the value of the environment and social justice?
- 7 **Professor Dieter Helm**, Fellow of New College, Oxford and Professor of Energy Policy, asked what you would need to do to achieve a sustainable economy? This requires a balance sheet for all the assets in the economy, including natural assets to ensure we were maintaining the asset base for the next generation. We have no such balance sheet. We also need to tackle the difficult question of the cost of maintaining those assets, so we pass on to the next generation assets at least as good as those we inherit. Setting aside money to look after assets will impact on our consumption.
- 8 In a sustainable economy, we want social welfare to rise. There is good reason to expect it to do so, as technical progress continues, yielding economic growth. Measuring what is achievable means we have to price in what is currently left out of GDP calculations (and therefore assigned zero value): all the externalities, including carbon consumption in imports, and the consequences of biodiversity loss and pollution. We also have to think about how we treat people in future, and apply appropriate discount rates.
- 9 GDP and growth are not incalculable, but need to be reconsidered to include all that is currently left out. To answer the question 'Are we giving assets to the next generation at least as good as our own?', we need to include manufactured capital; human capital; the natural capital and depletable, non-renewable assets, such as oil and gas. On the other side of the balance sheet are the liabilities: for our pensions; health costs for an ageing population; welfare payments the consequences of environmental degradation; and national debt. He argued his generation has increased debts, on assumptions of high GDP growth, which is now being passed on to the next generation.
- 10 Economists include natural capital in a balance sheet by considering the allocation of scarce resources. The key question is: 'how much resources should we devote to look after these assets?', which in turn can use cost benefit analysis to inform decisions: there is no such thing as a 'priceless asset'.
- 11 At present, the budget is the net of taxes and expenditure. Selling or depleting assets counts as cash in. No general account is taken of the need for capital maintenance and the depreciation of assets. For sustainable development, these have to be included to keep core assets in perpetuity. It is not easy to do this, but better to be roughly right than precisely wrong.

- 12 To make these adjustments and live in a sustainable economy has unpleasant consequences however. The deficit is likely to be much bigger as negative numbers have been left out. We either have to save to invest; or someone else invests and we have to save to pay for the investment in the future. Yet our savings level for the last 15-20 years has been very low. We have been leaving the next generation to pay.
- 13 Every increase in savings is a reduction in consumption. We, the voters, do not want to face the consequence of the damage our lifestyles are doing to our planet, environment, and even our infrastructures. Our standard of living is correspondingly too high.
- 14 Scottish politicians should consider drawing up a Scottish balance sheet – the energy resources, its biodiversity, its wilderness (and carbon store), its human capital and manufactured capital, and ask what standard of living could the Scottish economy sustain while not endangering the prospects of future generations. Sad to say, it will probably be a lower standard of living than the current one, but either we want to do something about our environment, climate change and loss of species, or we do not.
- 15 **Miriam Kennet**, Founder, Director and CEO of the Green Economics Institute, set out to challenge the received wisdom of mainstream economics. She commended the Scottish Government's commitment to renewable energy, and the extent and value of the green jobs already created. She stressed the importance of wellbeing, not just as the absence of disease or injury, but mental, physical and emotional health. The Marmot Review talks in these terms, and how the start in life and socio-economic status affect whole life and health outcomes.
- 16 In her opinion, green economics is the economics of doing, sharing and supporting each other – making economics relevant. Everyone and everything on the planet has economic needs, responsibilities and impacts. The main concerns are to stop runaway climate change, biodiversity loss, and preventing poverty.
- 17 It is a global movement in which many countries are taking part – she cited China, Norway, Scotland, Indonesia, Ethiopia, Ghana – and engagement ranges from the Board of the European Central Bank to the protest on steps of St Paul's. Green economics is for all people and for nature, and especially for women and girls who are bearing the brunt of the austerity cuts.
- 18 We need to widen the scope of economics to create health and wellbeing. We live on a finite planet in an era of mass consumption instigated during the Kennedy administration. We also have challenges of unemployment, especially for the young, and an ageing population; climate change and flooding vulnerability; and massive debt. Never ending growth in a finite planet cannot be achieved.
- 19 In the green economy, it is the practical that matters, whether it is recycling in Estonia or GCHQ seeing the relationship to security. The term economics comes from the Ancient Greek meaning 'management of a household': it is about provisioning for the needs of society, nature, non-human species and the biosphere. This root gives a very different take on what we are allowed to do with economics. Green economics aims to reform mainstream economics to provide an inclusive, progressive school of economics based on social and environmental justice. It involves long-termism, holism, feminism too. In any transaction we need to understand all the implications, and take them into account. Potential strategies include trading carbon, regulation, green technology techno-fixes, and lifestyle changes. Contraction and convergence has a role in tackling climate change. We need all these tools, and have to do different things differently. She cited using the train rather than flying; or communicating by webcam.
- 20 Miriam also contrasted the all male Ministerial Conference at the European Central Bank, the Royal Economic Society, the Bank of England MPC with the women in the world owning about 1% of the world's assets. Pioneers in sustainable development have included Rachel Carson and Gro Harlem Brundtland. We need to break down stereotypes, address better education for women, and see more women in key decision-making.
- 21 We live in an inter-connected world, where countries own each other's debt, and we depend on other species for food and clothing. We are going to have to survive in a warmer world, with rising sea levels. We have to think about the impact of our purchases and activities in economics: somebody's holiday or somebody's nightmare? Scotland is making good progress and has potential as a world leader.

Discussion

- 22** The discussion Panel comprised the speakers together with Professor Jan Bebbington, University of St Andrews, and participants raised radical and wide-ranging questions.
- 23** The role of the banks and debt was questioned. The very poor don't have access to finance, and have to rely on their own surplus; living outwith the formal economy relying on barter and kinship suggests a massive fall in standards of living. The banks have a vital role to play in the economy mobilising savings to facilitate investment and creating credit. But they need to be much better regulated, separating out savings from speculation, and not counting debt as savings.
- 24** Discussion touched on the contrast between the competitive Anglo-American model of capitalism and the more collaborative German or Scandinavian approach. It was questioned whether more unequal societies lead to less empathetic and more competitive consumers; and whether more equal societies experience increased growth or contentment – there is some evidence it does, but it is not clear cut. Dealing with inequalities is important.
- 25** How to live within our means requires reconciling reducing our standard of living while maintaining quality of life. There may be some de-coupling already, where beyond a certain level increased incomes and consumption does not lead to enhanced wellbeing. These are difficult to measure (happiness especially so), and money and GDP are only proxies. There is a significant ethical dimension to the choices to be made, and hence a key role for democracy.
- 26** How long it might take to live within our means evoked both pessimism and hope. At the larger scale, there is no appetite to reduce consumption; while EU and UK production emissions have fallen 15% since 1990, based on consumption they have increase 19%. By contrast, individuals and communities in many countries are pioneering ways to reduce their carbon footprints, and if it becomes unfashionable to over consume, then others may follow. This can be reinforced by price signals. There is an important role for taxation and incentives, including taxing carbon consumption (production ignores imports).
- 27** In all this, innovation will be crucial, both technological and social, driving the economy towards maximising social welfare and new ways of living better on less consumption. Two barriers were highlighted: limitations on the role of women and short-termism. A strong case was made that improved education of women world-wide would make an enormous positive impact, empowering and enabling fuller participation in the economy. We also need to establish institutions, such as the Committee on Climate Change, to require governments to take a longer term view.
- 28** Asked if we should shift from the polluter pays to charging for ecosystem services, it was argued that the polluter pays has no economic status when dealing with public goods. To apply, you need to know who the polluter is, and what form the pollution takes. In complex open systems, such as climate change, accounting systems have an important role to play, if the accounts are done well. Following the Rio commitment to green accounting, work has been underway, including in the Netherlands and Germany.
- 29** Economic tools, such as these, can shine a light on poverty, inequalities and other issues, making a start on measurement, building capacity and enhancing our understanding of the situation we are in. The aim is to enable better informed choices to be made. Too often economics has been poorly used. Economics is about the allocation of resources, and the scarcest resources are the environment. It has a technocratic basis, and what is critical is how it is used or abused; too often it is done badly, but the fault lies with misuse and the economic systems we create, not with economics itself. Done well, and economics can expose the ethical choices to be made.
- 30** There are no easy answers at a time of big challenges. Economics matters because it shapes our world, and its application is not value free; what matters is how it is used. This work is not easy, though again it is better to be roughly right than exactly wrong. The choices are a matter for democratic discussion, and are relevant to the debate on the future of Scotland.

Reflections and Key Messages

- 31 The seminar again attracted a capacity audience, and attendance included senior officials from Scottish Government and public bodies, and a wide range of civic society, though a competing event resulted in fewer MSPs being able to take part.
- 32 The two speakers, together with Professor Jan Bebbington, provoked a lively debate, which covered much ground. Dieter Helm and Miriam Kennet had contrasting styles and approaches, the former pursuing rational economic rigour, the latter more emotive, exploratory and eclectic. Both speakers found supporters who clearly identified more with one of them than the other. However, notwithstanding the differences between them, participants also identified common ground over several key points:
- We are living beyond our means, in both an economic and ecological sense. There are powerful economic arguments that our current course is unsustainable. We continue to pile up debt, damage ecosystems and biodiversity, and fail to tackle destabilising the climate. The scale of the challenge is massive, and radical change is needed.
 - The seminar demonstrated that the current economic crisis and sustainable development are totally inter-connected. We are currently perpetuating massive inter-generational injustice, saddling future generations with massive liabilities.
 - There is a need to account for the consequences of pollution and damage to, and depletion of, natural resources; and to make provision for our liabilities. This means we need to reduce consumption, and save and invest more. On the face of it this is very unattractive, but we have to find ways to do so that are 'better', not worse, and at the same time tackle rather than exacerbate injustice and inequality.
 - Economics offers a range of tools which can shine light on the issues, and can help clarify the consequences of choices about how to allocate scarce resources. It is a powerful toolkit, but it is how it is used, and the economic systems we devise, that make the outcomes sound or unsound.
 - We need a sense of scale: for example awareness of the implications of new coal fired power stations in India and China; and not self-delusion, believing greenhouse gas emissions have been reduced when we have exported manufacturing. However, even though the contribution at an individual or household level (or even Scottish level) may be modest, it is important to show that change is possible and positive. Politically, it is vital to make the connection between the personal and wider society.
 - Innovation will be essential: doing different things differently. Pioneering can be supported by a mix of fashion and incentives (solar panels were cited – price signals matter). To draw on all available resources, we need to tackle all forms of discrimination that prevent people contributing. The education and empowering of women was highlighted as crucially important.

Implications for *'Thinking about society differently'*

- 33** A number of themes relevant to the social dimension of sustainable development and wellbeing, particularly social and inter-generational justice, were raised in the seminar. The first seminar had discussed values and attitudes at the individual level, the role of local communities and of co-operation between agencies and different sectors of the economy. On these foundations, potential topics to explore at the third seminar to be held on 20 February 2013 on rethinking society might include:
- How to communicate the inter-connection between debt (borrowing against future generations) and need for sustainable development (including protection of our asset base): the Brundtland dilemma – how do we meet current needs without prejudicing future generations?
 - How to present and demonstrate sustainable development as 'better', if setting out to reduce consumption (and increase saving and investment), and at the same time tackle social justice and poverty? If consumption has to be reduced, how to protect those less well off in Scotland and beyond?
 - What rethinking is needed to address health and socio-economic inequality and deprivation? (Miriam Kennet cited the Marmot Review)?
 - How do we harness our more altruistic values in the cause of social and inter-generational justice? What is the role for leadership and role models (leading by example)?

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