All-Party Parliamentary Group on Wellbeing Economics

Minutes of the meeting 'How does wellbeing economics help us deal with climate change?' on 28th October 2010 in Committee Room 19 of the House of Commons.

The meeting started at 2.30pm

Summary

Stewart Wallis welcomed everybody to the APPG 'How does wellbeing economics help us deal with climate change?' and passed on apologies from the Group Chair, Jo Swinson MP. He introduced the speakers.

Charles Seaford, Head of the Centre for Well-being, nef
Charles Seaford spoke about why a well-being approach can help with the problem of climate change, emphasising that it offers a different way of viewing the challenge it presents. He talked about how the problem of climate change is often viewed as an insoluble conflict between increasing consumption and decreasing emissions, but if it is seen instead as increasing well-being versus decreasing emissions then it becomes less irreconcilable. This last equation can be broken down in two tasks: maximise the well-being/economic (in this case, market) activity ratio *and* maximise economic activity/emissions. Evidence suggests that in order to achieve this, economic policy should have five priorities: 1. Maximise the number of households with income within a target band – the graph of income and well-being shows a curve with fairly clear inflection points after which there are only diminishing returns to well-being from rises in income; 2. Maximise the number of workers with working hours within a target band; 3. Prioritise economic and social stability – low unemployment, job security, strong communities; 4. Maximise the number of people doing satisfying work – the traditional economic perspective only considers the *amount* of work but a well-being perspective acknowledges the importance of the *quality* of the work; 5. Correct the consumption biases created by advertising which propel people towards certain forms of consumption that do not maximise their well-being. In order to adopt a well-being perspective the trade-offs between these five policy priorities must be optimised.

Professor Peter Victor, Professor in Environmental Studies at York University, Canada
Professor Victor spoke about the lack of consideration of the environment within traditional economic models. He showed that over the period 1900-1950 the amount of global materials extracted doubled but between 1950 and 2005 there was a 700% increase. With this massive increase in materials entering the economy there is an excessive burden on the environment and increases in factors such as chemical pollution, climate change, ocean acidification, global freshwater use, stratospheric ozone depletion and biodiversity loss, which are transgressing the planetary boundaries. In the 1990s the global level of oil usage exceeded its production and most commentators are putting the peak of production no later than 2030. He pointed out that the energy intensity of our global output has actually declined since 1980 but because GDP has risen, there has been a net increase in primary energy use – hence we must address the scale as well as the intensity of energy use. Prof Victor described the macroeconomic model he had designed, called LowGrow, which asked the question: Can we have full employment, no poverty, fiscal balance and reduced greenhouse gas (GHG) emissions without relying on economic growth? He used Canadian data to show that a 'business as usual' scenario over 2005-2035 would result in higher GDP per capita and a decrease in the debt to GDP ratio, but a rise in GHG emissions, an increase in rates of poverty and no change in unemployment. He then showed that a 'no growth' scenario would be a complete disaster – rates of poverty and unemployment would soar. However, the third scenario he presented was 'better low/no growth' which led to a rise in GDP per capita which then levels off, a decrease in GHG emissions, a large decrease in the rate of unemployment, a decrease in the debt to GDP ratio, and, unlike the 'business as usual' scenario, there is a fall in the poverty rate. To do this, Prof Victor argued that we need new meanings and measures of success; stricter limits on materials, energy, wastes and land use; a carbon price that provides more information on how our economy relates to our natural resources; a stable population and labour force; more efficient

capital stock; a shorter work year; more generous anti-poverty programs; more informative advertising and fewer status goods; and a shift to the attitude that education is for life and not just work.

Professor Neva Goodwin, Co-Director of the Global Development and Environment Institute, Tufts University, USA

Professor Goodwin spoke about the impediments to meeting the challenges of the future that have been produced by classic economic thinking. These include inappropriate goals – a focus on wealth creation (most often defined in terms of growing GDP) rather than the creation of high levels of human well-being in the present, whilst maintaining or rehabilitating productive capital for the future. Professor Goodwin was careful to stress that wealth creation, appropriately directed, was a critically important means to well-being for many people, but that it must be re-examined when it leads to negative externalities that reduce overall well-being. Another impediment is the bias towards the status quo, where the existing distribution of resources is accepted as a given. This includes a focus on aggregate growth indices at the expense of disaggregated inequality indicators, privileging efficiency over equity and market solutions over public policy. She emphasised that the solution will not work with the existing 'edifice of theory, just take out a few bricks and plug in something new' but that we need to start afresh and use the best pieces from each of the various alternatives (ecological economics, socio-economics, radical economics and others, as well as standard economic theory) and fit them into a new design.

Questions and Discussion

Kelvin Hopkins MP asked about the issues of population growth and redistribution.
Prof Goodwin said that the evidence showed that women's education led to fertility rates declining, perhaps because it allows women to be economically independent; and that there were already four or five countries which were experiencing population decline – in fact the trend for population growth was only really in very poor countries with low levels of women's education. Although population decline is not happening fast enough to stop ecological problems, we don't really want it to be any faster because of the dependency problems that e.g. China is facing because of an ageing population. Prof Victor commented on the fact that this issue was often framed as a North versus South one: the North accuse the South of having too many children, the South accuse the North of too much consumption. Both these issues need to be addressed. He also drew attention to the issue of the responsibility of countries like the UK for environmental migrants. Charles Seaford pointed out that the well-being approach necessarily leads to redistribution, but that we need to find out more about people's aspirations. We also need to look at the redistributional effects of climate change policies.

Beth Stratford, Friends of the Earth, Scotland, asked about the reality behind the 'necessity' of the cuts outlined in the Comprehensive Spending Review.
Stewart Wallis pointed out that the debt to GDP ratio has actually been higher than it is currently, in 200 of the last 250 years in the UK. Prof Victor commented that when he was researching the Canadian budget deficit, he came across more than four different estimates for its precise value, and also stressed that we need to take a longer-term view. Charles Seaford commented that the approach had been described as a 'gamble' – the opposite of the well-being approach, which is based on lots of research and modelling.

Arabella Scarisbrick, BioRegional, asked about the feasibility of a four-day week.
Prof Victor commented that the transition to a greener economy would mean more labour intensive work and so there would be more 'green' jobs, and that we could dictate how we wanted this work to be distributed and structured.

Jonathan Essex, BioRegional, asked about what an economic model that aimed to meet climate targets would look like in comparison to the 'better low/no growth' model; and commented on the importance of cultural changes in attitude.
Prof Goodwin agreed that value and cultural change were significant and that although economics didn't have the answer, we do need an economic system where advertising doesn't lead to lower well-being. Prof

Victor reminded us that GHG output is equal to GDP x (output of GHG per unit of GDP) therefore the more the economy expands the more GHG will be produced (because efficiency improvements are not enough to counteract rises in GDP). He also commented that to be accepted by governments an environmental measure needs to pass a 'growth test'. Charles Seaford responded that the only way to deal with the problem of an obsessive focus on growth is to change priorities so that well-being is the overall goal.

Mark Williamson, Director of the Movement for Happiness, made an observation that the government spends an increasing amount of money on trying to create pro-environmental behaviour change but that their message is relatively uninspiring – do less, have a lower living standard – and that we need to shift this to a focus on behaviour changes to maximise well-being instead.
Charles Seaford commented that work he had undertaken on how to create active on climate change showed that people need to feel like they can help create a collective vision of 'the good life', that there needs to be solid plan for how this is to be achieved, and that there needs to be a sense of collective choice about whether to adopt the plan. Only when these three factors are in place will people commit to it. Prof Victor commented that there is no one 'best thing' to do but that he felt that public education and good regulatory design *did* have an effect on people's environmental behaviour. He also highlighted the importance of language in provoking behavioural changes.

A comment was made by Paul Bourke, Carbon Resource Management, about Western countries appearing sanctimonious while developing countries in fact were improving poverty through export-oriented growth. Prof Victor said he believed that Western countries needed to change before they had a moral basis or credibility to tell other nations how to behave. Stewart Wallis emphasised that the low/no growth scenario was *not* being advocated for people in poverty, where growth is absolutely necessary, but that the model of low growth is only a prescription for certain countries.

Berte Birleman, City of London, asked about how to communicate the ideas of well-being economics to the financial sector.
Prof Victor responded that we should be communicating with people working in the corporate social responsibility sector, but that we all have different roles to play and that we don't necessarily have to communicate directly – if we are not very adept at communicating to all audiences, we need to work with people who are. Charles Seaford commented that people in the financial sector ought to be interested, as the well-being approach will still cause rising and falling asset values. Professor Goodwin expressed the hope that some of her students will carry this message with them into their future jobs in the financial sector. Stewart Wallis commented that for most of human history more has equalled better, whereas more and better have parted company in recent history.

Andrew Willoughby, Well-being Institute, University of Cambridge made comments about a transition to a 'wisdom' economy, the need to separate material needs and non-material needs, and for governments to measure well-being separately from the economy.

Stewart Wallis concluded the meeting by emphasising the need for a major economic and cultural transformation in order to meet the challenges of planetary limits, inequality, instability in financial institutions and the fact that rises in GDP no longer translate to higher well-being for many people. He thanked the speakers and everyone who attended the meeting.

The meeting ended at 4pm.

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