Green economics versus growth economics

The case of Thomas Piketty

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What would be a radical economics today? It would have two components. First, it must understand economics as necessarily *political economy*; as a continuous human, social creation subject to political manipulation and to new positive political vision and action. Second, it must be a Green ecological economics. That is, it must have absorbed the central 'Copernican' insight of the founders of ecological economics, Herman Daly and Robert Costanza: that present-day human desires must be displaced as the centre of the system of economics by the capacity of the earth (energized by the sun) to support life indefinitely into the future. And it must be a Green economics by virtue of rejecting Costanza's absorption of the value of life into the neoclassical/neoliberal economy, an absorption manifested for instance in the programme of the economic valuation of 'ecosystem services'.[1]

It is not uncommon nowadays (except within the academic heartlands of 'mainstream' economics) to find one or other of these components in place. It remains depressingly rare to find both. The pressing socio-political crisis manifested and then intensified by the financial crisis has, however, at least pushed closer to the forefront of the public imagination the nature and consequences of extreme inequality. Two symptoms of this have been the Occupy movement and the growing public attention paid to the excoriating critique of inequality undertaken by Richard Wilkinson and his colleagues.[2] A third has appeared more recently: the improbable success of Thomas Piketty's widely discussed and celebrated *Capital in the Twenty-first Century*, published in French in 2013 and translated into English in 2014.[3]

Piketty's proposal for a global wealth tax to counteract the levels of inequality now generated in our world is intriguing and welcome. (In fact, one silver lining in the infringements on civil liberty that we have suffered since the onset of the 'war on terrorism' is that, to a greater extent than ever before, such a wealth tax should in theory be practicable and enforceable, because many governments now monitor wealth flows remarkably closely; something also assisted by the work that Richard Murphy and others have done on opening up tax havens to automatic information exchange, meaning we have much better data to work with.) Piketty's analysis of the importance of wealth inequality – and not just income inequality, on which Wilkinson and Pickett focused – is equally welcome, and helpfully draws detailed attention to the nature of (and risks attendant upon) capital accumulation. From these two analyses follows Piketty's conjuring up of the spectre of a full-scale return to levels of oligocracy and patrimony not seen in a country like the UK at least since the advent of modern democratic suffrage – unless, that is, we bring in a wealth tax and other measures that might succeed in somehow curtailing the power of capital.

Against growthism

However, while this focus on inequality is welcome, we should be careful not to let it blind us to the severe limits of Piketty's own stance in political economy. One such limitation has already been fairly widely commented on: Piketty's almost complete failure, after a promising start in chapter 1 of his book, to analyse his subject in relation to Marxian questions of class or exploitation.[4] I will focus here, however, on the other fatal absence from Piketty's political economy: his failure to take seriously the ecological limits to growth. Piketty argues that if growth in a capitalist economy is higher, then, other things being equal, wealth will be more evenly distributed. I am extremely doubtful as to whether he has proved this; causation is of course not proven by mere correlation. The data are, in fact, equally compatible with the claim that there has been a lucky and partial correlation between high economic growth and periods of democratic regulation, reform and governance of the economy, and that it is the latter that have been more responsible for the relative evenness of wealth distribution at times of higher economic growth. Piketty has perhaps offered some data and thinking to support the argument that, in a capitalist 'growthist' economy, higher growth might be expected to make slightly more possible a more even distribution of wealth – *certain conditions obtaining.* (Politically, the objective of redistributing some wealth is, in one way, easier to achieve when incomes are rising as there are fewer apparent losers.) However, this claim only applies to present-day people, not to future people (let alone non-human animals), who are thereby entirely absent from Piketty's account or calculations. If economic growth will lead to future generations suffering, then it is *not* egalitarian – provided that we take seriously the idea that future generations matter, that future people are our equals. Of course, economists will counter that all people from now to the end of time are in their equations, as if they live in a discounted present: but that is the point. Rashly assuming that growth will continue forever, standard economists such as Piketty standardly *discount* the future: the further into the future one looks, the less the people living there matter.

At a time when it is ever clearer that humanity is running up against the limits to growth, it is delusional, then, to seek to make an 'egalitarian' argument in favour of growthism. Growthism is *causing* the undermining of living conditions, particularly for future generations: for it is above all economic growth that is to blame for our collective breaching of planetary limits, manifested in for example the biodiversity crisis: we learned recently that half of all wildlife on the earth has been eliminated in the last forty years. This alone is enough to undermine Piketty's case for economic growth. The first virtue of any decent society is to not destroy the conditions of possibility for its children. The fact that growth is necessary in a *capitalist* economy, allegedly to help equalize the distribution of wealth, no longer carries much weight: for we have to start to think beyond a capitalist economy. A post-growth 'steady-state' economy by definition would not be one in which the growth imperative of capitalism was allowed to let rip, but would, instead, seek to reduce to one-planet levels the amount of material throughput – that is, of 'resource' use and pollution.

I have already noted that a central component of Piketty's answer to the current crisis is more of the same – that is, more growth, the proceeds of which can then be 'redistributed'. The harsh truth, however, may well be, at the level of public policy debate and democratic discussion, that growth is in practice an *alternative* to egalitarian redistribution, an alternative to any serious effort to create a more equal society. The promise of growth is a *replacement* for the need to share. That is how growthism has 'superseded' socialism: 'left-wing' politicians join right-wing politicians in the mantra that everyone benefits from a growing pie, which can then allegedly be divided such as to yield larger shares for all, despite the fact that, in a country like the UK, we are now seeing growth of which none of the benefits are 'trickling down' to the 99 per cent. (Total GDP is in the UK now above its 2007 level, but most people in the country are worse off than they were in 2007, partly due to population increase, meaning that GDP per head reveals an average decline; but also simply because inequality has continued to increase.) A post-growth society would be forced to face the question which growthist ideology – with its promise of an ever-growing pie – allows one endlessly to evade: how shall we *share* what together we have. So Piketty's claim that a 'stalling' of growth is bad for the majority may well be exactly wrong, and not just because the capture of virtually all the proceeds of growth by the elite is happening right now. In fact, a 'stalling' of growth and a willingness to see that we simply can't keep growing the pie now that the ingredients are running out may finally be what force the majority to take back some of the wealth currently being hoarded by the rich. The true condition for redistribution may well now be recognition that we can't rely any longer on growth.

At the heart of Piketty's book is his inequation 'r > g': the rate of return on capital (r) is typically greater than the rate of economic growth (g). But does Piketty help us to understand the conditions under which r can be reduced? Hardly at all. Does he help us understand *why* 'r > g'? No. He regards r as being in practice 'exogenous'. And this is why he doesn't in any serious way enter into the terrain of thinking about how things might be other than bad if we were to reduce g to zero; that is, if we were to accept or deliberately embrace a post-growth future. Nor does he seriously consider what would happen if the structure of (the ownership of) the capital stock, of wealth, were to be altered, for example by a massive increase in the proportion of the economy that was not-for-profit. A radically diversified – or, alternatively, more state-owned – capital ownership base could mean that a much higher r than g would *diminish* inequality.

Piketty pays lip service to greenery, at least seeming to recognize some kind of limit to our capacity to pollute our atmosphere while remaining within ecological limits. He seeks near the end of his book to suggest that his proposals are compatible with 'climate sanity', Lord Stern style (if, mostly, because he is concerned, as Stern is, at the prospect of climate-damage limiting economic growth). However, humanity is *rupturing* the limits to growth in respect of the still-fragile ozone layer, the biodiversity crisis, and especially the climate crisis. This means that any climate sanity, as the major climate scientist Kevin Anderson is now urging, requires a reconsideration of

the growthist 'imperative'. For the more economic growth there is, the more *difficult* it is to find emissions pathways that do not lead to runaway, catastrophic climate change. Moreover, arguably, action on human-triggered climate change, and so on, could actually reduce inequality by wiping out 'mythical capital', both tangible and intangible. Much tangible capital is mythical: such as the 'stranded assets' of the fossil fuel industry, an industry which will not be able to burn all the 'assets' at its disposal, because if it sought to do so then it would destroy the world's climate and thus the global economy. Equally (and this is not really a separate point) much intangible finance capital is mythical: because it amounts to debt and claims that can never be realized in the coming post-growth world.

As the work of Peter Victor, Tim Jackson and Samuel Alexander has, in recent years, clearly shown, ecological crises such as the climate crisis are insoluble without giving up the chimera of 'Green growth'. For, while it is in principle possible to reduce our collective ecological impact while simultaneously increasing the size of our economy, these authors have given us good reason to believe that it is simply not possible to do so at a fast enough rate to avert calamity. The UK is consuming as if there were four planet Earths. A return to one-planet living within a timescale suitable for averting climate catastrophe, and for pre-empting an unprecedented sixth planet-wide extinction event, requires transcending the felt need for economic growth.

Piketty has, I think, shied away from grasping the uncomfortable implication of his own data in this respect: that growthist capitalism is an engine for inequality both in the present and over much longer timescales. Growthist capitalism – and there is no other kind – systematically leads to inequality. It leads to inequality-in-the-future in part because the exponential return on debt, so as not to lead to excessive human exploitation, has instead relied on exploitation of the planet as an alternative property-right claim to reduce the cumulative impact of the impossibility of paying returns to money: but this exploitation results in brutally depleting the future. And it leads to inequality-in-the-present in part because we still insist on paying returns to money anyway, and in most of the world are no closer to implementing a debt jubilee or even a debt audit than we were in 2007. A properly structured wealth tax may certainly be one component in a Greener, fairer, more equal society, as Piketty suggests. But the harsh truth is that the introduction of such a tax will not occur until we give up our desperate attachment to the oxymorons of 'Green growth' and 'egalitarian growth', and face up, finally, to the need to share the wealth far more equally, in a world which finally understands that perpetual growth is the ideology of the cancer cell rather than of a Green post-growth alternative genuinely critical of the dynamics of capitalism.[5]

No Ferraris

Post-Piketty, we are perhaps very slightly closer than we were before to the first criterion of a radical economics with which I opened this commentary: a properly political economics, and in particular an understanding of the importance of inequality and its consequences, and the development of proposals concerning how to reduce it. But, as I say, only – at best – very slightly. For Piketty's failure to address in any serious way the second desideratum with which I began, the need to turn economics Green, opens out onto a severe limitation with the extent to which he can help us with the first. The leading contemporary ecological economists of post-growth, Tim Jackson and Peter Victor, have written an impressive report in which they detail how, crucially contra Piketty, low or zero growth need *not* lead to rising inequality.[6] The nub of their argument is that one can reduce inequality if one deliberately counteracts the tendency present in neoliberalism to seek to make labour replaceable by (and subject to lower returns than) capital. This is a much 'deeper' vein of policy change than that recommended by Piketty. Piketty's idea for a global wealth tax is an idea for what is essentially a 'redistribution'; a social-democratic idea. That it appears radical shows only how far our society has drifted into taking neoliberal capitalism for granted. Of course, in another sense, Piketty's call for a *global* wealth tax is also essentially utopian. As Dean Baker has pointed out, it is very hard to see it being realized, in anything like our current capitalist system. Is this, strangely, a clue to the book's extraordinary success? Piketty helps liberals to feel radical, while reassuring them that, 'regrettably', the capitalist system is in practice unchangeable.

By contrast, Jackson and Victor are talking about a more radical remoulding of society to place the needs and rights of ordinary people – within a strict context of non-negotiable planetary boundaries – more centrally, and, following Polanyi, to yoke business and the economy to these, rather than vice versa. Where growthism would simply 'produce' a load of stuff that can then be redistributed (e.g. via a wealth tax), a post-growth political economy looks to the worth that people find in work, and to shoring up work and life, as opposed to capital, as the place to start. Jackson and Victor show that wealth will only accumulate massively in the way Piketty suggests if, among other things, it is easy to substitute capital for labour. And that means, crucially: only if there is lots of cheap energy available for the machines that would displace people. Thus this is another way in which ecology links into showing what is wrong with the Piketty argument: he has recklessly assumed that we are not going to leave most fossil fuels in the ground, as we must.

As far as the Piketty phenomenon is concerned, it is encouraging to see so many people excited by a big dry book of leftish economics and statistics. Yet, in the end, we are going to have to look elsewhere to find the radical economics that this moment in history so badly needs. We are going to have, in particular, to look beyond the complacent and bankrupt assumption, common to Piketty, Stern and the recent massive Global Commission on the Economy and Climate,[7] that it is wise or even possible to continue seeking economic growth as the answer to our problems. The hegemonic nostalgia for high growth needs to be overcome,[8] along with the infantile leftist fantasy of Ferraris-for-all.[9] Being against austerity is hardly radical if what it leans on and leads to is an unreconstructed productivism.

Notes

1. See Kathryn Yusoff, 'The Valuation of Nature: The Natural Choice White Paper', *Radical Philosophy* 170, November/December 2011, pp. 2–7.
2. Most notably, Richard Wilkinson and Kate Pickett, *The Spirit Level: Why More Equal Societies Almost Always Do Better*, Allen Lane, London, 2009. See also their more recent *A Convenient Truth: A Better Society for Us and the Planet*, Fabian Society, London, 2014, which takes their discussion of inequality more into the realm of sustainability.
3. Thomas Piketty, *Capital in the Twenty First Century*, trans. Arthur Goldhammer, Harvard University Press, Cambridge MA, 2014.
4. On this, see Erik Olin Wright, 'Stay Classy, Piketty', *Public Books*, 2014, www.publicbooks.org/nonfiction/the-piketty-effect-part-1; Photis Lysandrou, 'Missing the Class in Wealth Distribution', *Morning Star*, 2 June 2014, www.morningstaronline.co.uk/a-db1e-Thomas-Piketty-Missing-the-class-in-wealth-distribution#.VGDrB4d3aHs; and David Harvey, 'Afterthoughts on Piketty's *Capital*', http://davidharvey.org/2014/05/afterthoughts-pikettys-capital.
5. Such a post-growth alternative is what my colleagues and I at Green House lay out in our new book *The Post-Growth Project: How the End of Economic Growth Could Bring a Fairer and Happier Society*, ed. John Blewitt and Ray Cunningham, Green House, London, 2014. The title sums up, I think, how we seek to offer an 'antidote' to Piketty. See also Joel Kovel, *The Enemy of Nature: The End of Capitalism or the End of the World?*, Zed Books, London, 2007.
6. Tim Jackson and Peter A Victor, 'Does Slow Growth Increase Inequality? Some Reflections on Piketty's "Fundamental" Laws of Capitalism', Passage Working Papers Series, 2014, www.prosperitas.org.uk/assets/does-slow-growth-increase-inequality---paper.pdf.
7. See Felipe Calderón, 'Climate Change, Economic Growth Possible', *USA Today*, 16 September 2014, www.usatoday.com/story/opinion/2014/09/16/felipe-calderone-climate-change/15676035.
8. Piketty thinks that economic growth will fall as population growth plateaus; ergo he thinks we need a wealth tax to prevent ever-growing inequality. But he still thinks that there will be economic growth, and he would like it if it were higher. In a nutshell: he has not extracted himself from the old paradigm.
9. See Daniel Ben Ami, *Ferraris for All: In Defence of Economic Progress*, Policy Press, Bristol, 2010.