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## **Reflections on the Economics of the New Development Paradigm**

Amongst the many things wrong with the prevailing economic model is the assumption that it can be replicated worldwide as a way of improving well-being. But the transitory nature of economic growth based on cheap fossil energy is becoming increasingly apparent. So too is the realization that income growth itself is insufficient as the basis for a meaningful prosperity. In our understanding, prosperity is better understood as the capabilities that people have to flourish, within the limits of a finite planet.

These capabilities certainly include adequate nutrition and shelter. But evidence is abundant that prosperity transcends material concerns. A sense of identity and the ability to participate meaningfully in society are vital. Decent employment, satisfying leisure and a healthy environment matter too. Most importantly perhaps, individual prosperity is linked intrinsically to community. Thriving communities are the basis for shared prosperity. We contend that development itself should be understood as mutually supportive changes in communities small and large, place-based and virtual, that contribute to the well-being of all species including humans.

A different vision of prosperity calls into play a different kind of economics. A successful economy must function within environmental limits and resource scarcities. But it must also deliver the capabilities for individuals to flourish and communities to thrive. Prosperity demands not only the provision of goods and services but also security in employment and stability in markets. Our on-going work together over the last few years has been to articulate the macroeconomic dimensions of this vision. We highlight briefly here four elements that have emerged for us as key to building an ecological macroeconomics: the role of enterprise; the nature of work; the structure of investment and the organisation of the money economy.

The role of enterprise is to provide the capabilities for people to flourish in their communities. First and foremost, of course, these must include the necessities of life: food, clothing and shelter. But beyond these needs, prosperity depends on the 'human services' that improve the quality our lives: health, social care, education, leisure, recreation, and the maintenance, renovation and protection of physical and natural assets. This vision must also pay attention to the organisational form of enterprise. Beyond the simple division between private and public corporations, we explore alternative company structures and organisations set up specifically in the interests of community: such as co-ops, B-corporations and community interest companies.

Work is more than just the means to a livelihood. It is also a vital ingredient in our connection to each other – part of the 'glue' of society. Good work offers respect, motivation, fulfilment, involvement in community and in the best case a sense of meaning and purpose in life. Our work suggests a two-fold strategy for achieving high levels of employment within a New Development Paradigm. On the one hand, we anticipate the expansion of employment through a 'service-enterprise' economy. On the other, we are exploring the role of changes in working hours as a means of achieving a just distribution of working time.

Investment is a vital element in a sustainable economy. We conceive the role of investment in terms of building and maintaining the natural, physical and social assets on which prosperity depends. This vision for investment leads to a new portfolio of investment targets, to include: improving energy efficiency and resource productivity; developing a local service enterprise sector; protecting and enhancing community assets (public spaces); protecting and enhancing ecological assets (green spaces); and developing local renewable energy opportunities.

The fourth element emerging from our work is the organisation of the money economy itself: the creation, maintenance and stability of the money supply. The unconstrained creation of money through commercial debt stimulates financial speculation and leads to instability in financial markets. In the wake of the financial crisis, with wider capital markets still in disarray, lending constraints hinder essential real investment and undermine the prosperity of communities. Our work is exploring many potential responses to this dilemma, from community banking, community bonds, local exchange trading schemes to a complete overhaul of the monetary system in which the prerogative of money creation would revert from private banks to a public authority.

In our understanding, taken together, these four elements (enterprise, employment, investment, money) constitute the building blocks for a more sustainable economy, built on a stronger vision of prosperity. Our own on-going collaboration aims to integrate these building blocks into a consistent macroeconomic account at the national level. We would be happy to share any findings from the project that are relevant to the New Economic Paradigm.

## References

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