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Foreword

An economic turning point

Humanity is facing a perfect storm of events that are contributing to a decline in living standards and higher inequality at a time of acute, urgent ecological crisis. We need to restructure the economy to ensure our use of resources is within the earth’s limits, reduce inequality and improve living standards for those who face intolerable choices.

With so many inter-related ways that large groups of people in the post-industrial and developing world are being negatively impacted by the current economic system, this moment could provide a once-in-a lifetime opportunity to challenge the status quo and rethink demand.

The diverse and burgeoning New Economics movement has provided a plethora of policy options to drive change. Many of these are focussed on production rather than consumption, but policy and narratives must focus on both. Because unless we challenge and shift the cultural norms and values ingrained in our collective psyche, policymakers are likely always to be cowed by what they will perceive as a lack of public consent for change.

Such a complex task requires a myriad of skills and expertise. Global Action Plan is ready to play its part and calls on the campaigning community to join forces to create real, systemic change that could benefit so many and sustain our living world.

In part one of a short series, Andrew Pendleton, Global Action Plan’s Deputy CEO and Director of Strategy, looks at the nature of the crises we are facing and how they promise a shift in demand across the economy.
A turning point in globalisation

The cost-of-living crisis is a moment of reckoning for the model of economic globalisation that has dominated since finance and trade were liberalised in the 1980s and 90s.

The pandemic and Putin’s brutal invasion of Ukraine are twin spotlights, illuminating and exposing the fragility of what Harvard economist Dani Rodrik calls hyper-globalisation – the phenomenon in which the imperative to globalise conflicts with democracy, social inclusion and local and national desires for self-determination. This moment of reckoning comes at a time of planetary emergency.

In truth, commodity, labour, energy and transport costs were never going to be cheap, and interest rates never low, forever, for all the reasons Rodrik and others cite. Also because of our failure to factor in the full ecological costs of globalisation, including the damages our actions hitherto have baked in, the costs have always in truth been much higher.

Common to all the causes of the cost-of-living crisis – which should caution anyone who yearns after a return to normal – is that none of them are going to be fixed quickly or perhaps ever. Arundhati Roy’s brilliant portal metaphor for the pandemic holds even though it was conceived of in the early days of 2020. The hyper-global phenomenon of the long, international supply chain – with products criss-crossing borders and regions that often humans are forbidden or lack the economic resources to cross – now appears especially fragile.

The result is high and rising inflation, already at 9% and expected to go higher still, to 11% by October 2022. This may subsequently level off, but the gap between prices and wages will almost certainly remain, leaving most households permanently worse off.

That’s no cause for celebration in consumption and ecological resource use terms.
What it will do is push excess-consumption further up the income distribution and leave more and more households under-consuming essentials. Unless government responds with fiscal and strategic policy, it will also reduce investment for structural changes that permanently shift consumption away from high ecological impact and carbon emissions.

Similarly, the hammer of interest rate increases with which national policymakers have equipped themselves, means all inflation still looks like a single nail, when it’s currently more like a house of cards. Central bankers are faced with a paradox in which the level of increases in interest rates that may be needed to make a meaningful dent in inflation are likely to intensify the pressures faced by households and business and, of course, increase pressure on government budgets at the same time, stifling an urgently-needed debate about fiscal policy.

And yet, if it is the beginning of the end of economic hyper-globalisation as it was forged in the era of the Washington Consensus, the questions this moment begs – in the context of heightening ecological emergency in which a return to normal is neither possible nor desirable – are what comes next and how can that help us reduce inequality and pressure on the planet’s resources?

The answers are for us to shape, but left as it is – or after a few more blows of the hammer – our economic path dependency will produce an answer that exacerbates inequality and drives us deeper into the climate crisis. There is no one – not even the hyper-global super-rich – for whom that is the right answer.
The pandemic and its aftermath have not proven levellers; inequality has increased. The **poorer half the country** was £110 a year worse off in 2021 than in 2019 while the disposable incomes of the richest 5% grew by £3,300. This, on top of already gross pre-pandemic inequality – in which average household disposable incomes in many parts of the UK were **already chronically low** – means the UK is entering the cost-of-living crisis with vast numbers of households hugely vulnerable to price increases.

Energy costs are driving up prices across the economy much faster than wages. But even before the increase in the energy price cap, around one-third of adults living in England’s most deprived areas **reported** that it was difficult or very difficult to pay all their bills. Families – households with two, working-aged adults and dependent children – now need to **earn at least £33,325** to make ends meet.

What this means is that, as the Resolution Foundation has **pointed out**, real incomes will be lower by the end of this current Office for Budget Responsibility forecasting window (in 2026-27) than in 2021-22. That’s half-a-decade of lost living standards; intolerable in economic terms and almost certainly politically.
The crisis of rapidly rising prices comes at a time of acute environmental crisis, which is caused by humanity’s overuse of ecological resources. The best-known dimension of this crisis is climate change.

Ironically, the cost-of-living crisis is being driven by the rising price of oil and gas and yet the windfall profits in the sector, and the emerging geo-politics, are also providing an incentive for oil and gas firms and governments to dig deeper into reserves of fossil fuels precisely when we need to be extricating ourselves from their use altogether.

Hot on the heels of the climate crisis are those of the overuse of natural resources, pollution and nature depletion, which are all interconnected. Calculating humanity’s total ecological footprint is an imprecise science, but the data compiled annually from national level accounting by the Global Footprint Network is perhaps a useful rule of thumb.

It suggests that globally we are using more than 1.5 planets’ worth of natural resources each year. Some think this is an underestimation because it’s based on available areas of land and sea to support the human population, but may not properly account for the space that nature needs to flourish in order to reverse biodiversity loss.

Assuming global estimates of humanity’s footprint are broadly correct – or that things may be even worse than we think – then the need to reduce our use of resources across the board is urgent. For this reason, the fragility of the low economic (but high ecological) cost supply chains and complex logistics of hyper-globalisation – their inability to pass through Roy’s pandemic portal – offer us a point of inflection.

The underlying, ecological truth is that we need to restructure the economy around the principles of low resource use, low pollution and in a way that allows nature the space to flourish. But we also need to re-structure the economy around the ‘foundational’ or everyday goods and services that will improve our economic security and our mental and physical wellbeing. These include health, care, mobility, better food, secure housing, clean energy, information and technological access.
At a time when we need to rethink demand – because too many people will be suffering a mismatch between covering their basic expenditure and their incomes – there is a once-in-a-generation opportunity to align the interests of the economy, people and the planet. But this can only be done by responding to the inequality and ecological crises concurrently.

Three Pillars of Change

Change will not come about on its own. In fact, with divisive social media platforms turbo-charging consumption and tearing open our societal and cultural differences, the chances are that left to the ‘invisible hand of the market’ or whatever other unseen entity we hope will save us, the structure of the economy around us will merely follow the pathway of high ecological harm upon which it has become dependent.

An economy in which demand meets the needs of human wellbeing within ecological limits can only be brought about if we build three pillars of change concurrently.

1. An active state: Unless states take an active role, using fiscal policy and industrial strategy to reshape demand and building a transitional structure of welfare and support to help households and communities through, there is little chance of creating the conditions for the shift that is needed.

2. Corporate Leadership: Businesses alone and together must build and deliver new models of enterprise that not only dramatically reduce the use of ecological resources but also offer households and communities a fairer share of the proceeds of adding value, through boosting wages, paying full taxes and enhancing rather than denuding the places in which they operate.

3. Normalising Change: We need to lead with solutions, tell stories and build a narrative of change, harnessing the power of influencers and championing wellbeing-rich, sustainable models of demand.

Ultimately, though policy and practice are key, underlying it all is a philosophical shift; a liberation from the drudgery and relative powerlessness of the role of consumer to one in which we are active citizens, shaping the economic system to enhance the health of our planet and ourselves.
Part two: Let them drive Teslas
Fossil fuels – cheap for decades, and a cornerstone of globalisation – have become expensive, taking a disproportionate bite out of wallets directly and pushing up prices across the economy.

With Putin pushing ever harder into Ukraine, there is no immediate prospect of oil and gas becoming cheaper and while the full impact of fuel poverty is due to hit in autumn/winter when we turn our heating back on, the impact of mobility poverty is already being felt.

It now costs £100 to fill up the fuel tank of an average car. Consequently one in five people are now driving less, which should have benefits for air quality and climate change, but is also likely to be coupled with people not being able to access the jobs, education or services that they need. No mobility is no replacement for ecologically costly mobility.

This is because we are locked into a system whereby our way of life is dependent not only on fossil fuels to get us around, but on the use of private vehicles. In a carbon constrained world where more people die from air pollution than malaria, HIV/AIDS and malnutrition combined, we need to free ourselves from oil as the main transport fuel, but also use the technologies that replace it with much greater efficiency.

Part of the answer is electric vehicles, which certainly have a very important role to play. They offer substantial benefits for local air quality as well as being crucial in the fight against climate change, especially if we are successful in decarbonising the electricity grid. But swapping private petrol and diesel vehicles for EVs is only part of the answer. Because we also have to decarbonise domestic heating, largely by fitting electric-powered heat pumps, and electrify industrial processes.
And while it’s true that, connected to a smart grid, EVs can also be viewed as a large,
distributed, depository for storing renewably generated electricity, we have to think very
seriously about efficiency; more efficient vehicles and the electrification of buses to carry
more people for less per capita energy use. And yet almost half of all new vehicles and
more than half of all EVs sold in 2021 were SUVs, which use around 20% more energy
than ordinary cars.

From a climate change point of view, even if all new vehicles sold by the end of the
decade are EVs, we would still need to cut overall car mileage by one-fifth to stay within
climate targets.

Technology is therefore not the only – or even the most important – change. And during
this cost of living crisis, even more efficient electric cars won’t help as being asked to
switch to an EV is akin to being told to eat cake by Marie Antoinette. So while technology
and efficiency are important, the crisis offers an opportunity not just to replace one
vehicle for another but to transform the whole system of mobility, replacing car journeys
with rail, bus, walking and cycling.

Thankfully this paradigm shift requires doing things that are already commonplace in
other countries and that also offer a better quality of life: one with cleaner air, fitter and
healthier bodies and minds and a greater sense of community.

These include:

- **Walking and cycling**: We all know they are good for us. But to make this the default
  option for every journey under 5 miles, we need safe pavements, road crossings and
  cycle paths.
- **Integrated public transport**: One reason why car ownership is lowest in Nottingham,
  London and Manchester is because these cities offer decent public transport.
- **Hybrid working**: after years of workplaces telling us “oh, we could never do
  videoconferences and working from home, it just wouldn’t work,” in May 2020 we
  found that over 40% of people were now working from home and that the vast
  majority wanted to continue to do so in some form.
- **15-minute cities**: a fantastic framework to develop communities where access to
  work, services, shops and leisure facilities are accessible within a 15 minute walk or
  cycle.
Where is this already happening?

**UK Wide - Hybrid working.**
Over 40% of people working from home in May 2020

**Bogota - Walking and cycling**
Safe pavements, road crossings and cycle paths.

**Berlin - Integrated public transport**

**Paris - 15 minute cities**
Work and leisure accessible within a 15-minute walk or cycle
These approaches may sound obvious and common-sensical, but beyond large city centres where public transport is often more comprehensive and many services are within easy reach, the past few decades have seen us locked into car dependency. So we need a system-wide change; as individuals, while some can choose walking and cycling, this may be unfeasible for many and so we need to find solutions first.

When one-in-five people may already be driving less – almost certainly because of affordability – now is the time to shift demand for mobility from private, fossil-powered cars to excellent public transport and much easier and safer walking and cycling. This is not only good for our own health and that of the planet, it will also help keep people mobile during the cost of living crisis or, in the case of supporting more home working, able to work without being mobile.

We shouldn’t need to own a car to live a fulfilling life. We should be enabled to access what we need closer to home and to get there under our own steam rather than buying and burning fossil fuels. Walking, cycling, working from home and affordable public transport should allow everyone to make savings on their cost of living, and investment in infrastructure to facilitate this should stimulate the economy. While for some it might be desirable – and eminently affordable - to drive a Tesla, for the majority the priority is to live in places where mobility is easy and cheap and the air is clean.

With the burning of fossil fuels in urban areas, we cannot safeguard people from the significant health risks of air pollution, let alone tackle climate change. A policy framework for systems change that not only hastens the shift to electric vehicles, but also drives vehicle efficiency and provides easy and cheap public and active travel options for people as a priority, is essential. But as we’ve seen in recent months with Low Traffic Neighbourhoods, if policy moves too quickly and in advance of public attitudes and people’s consent, then there can be a backlash. Avoiding this, by engaging with people in solving air pollution and on its public health risks and normalising change, is a must.
Part three: Wellbeing and the psychology of consuming less
The current structure of the economy has delivered a decline in living standards for many and a concentration of wealth and resources for a minority. While in this cost-of-living crisis an increasing number of families are suffering the indignity of under-consumption, the economic model upon which globalisation is based, which is reliant on very high volumes of consumer goods, is destroying the living world.

The wellbeing of everyone is threatened by our climate and ecological crisis so as well as improving the quality of life for those who don’t currently consume enough, we also need to shift the nature of demand across the economy in ways that collectively fewer resources are consumed and, as Global Action Plan’s vision states, we can live happy and healthy lives within the available resources of the planet; living in any other way is an illusion.

Currently no country on earth meets the wellbeing needs of its population without breaching planetary boundaries. Globally we have already overshot 6 of the 9 planetary boundaries. As Kate Raworth’s Doughnut Economics model highlights, there is a theoretical safe space for humanity where we can meet the wellbeing needs of all without overshooting planetary boundaries but this will require some serious shifts to the way in which demand is shared out across the human population.

The Doughnut of social and planetary boundaries.
Credit: Kate Raworth and Christian Guthier. CC-BY-SA 4.0
There is a strong link between levels of household wealth and consumption, health and happiness, but only up to a point. So the prize of ensuring everyone can consume enough to experience better health, longer life expectancy, better security and greater dignity is great. But equalising consumption within planetary boundaries also requires some serious structural changes in patterns of demand across the economy, which will require some households to consume less and be willing to make this shift. It is easy to make the case to “level up” but how on earth do we convince anyone they need to “level down”?

**Who needs to consume less?**

The so called polluter-elite (the wealthiest 1%) are responsible for more emissions than the poorest 50% of the world’s population. This group will have to be encouraged, persuaded, incentivised and forced to make the biggest reductions to their consumption (by a factor of 30 to stay in line with a 1.5 degree world by some reports).

But, according to the recent [1.5 degrees lifestyle report](#), developed countries need to reduce lifestyle carbon emissions by 60–80% by 2030 and 80–90% by 2050. Income and wealth are the primary drivers of how much we consume and the best predictors of our ecological footprint. However, to many policymakers, persuading better off households to earn or retain less and consume less sounds like a probable career death sentence. But it need not be.

**Does less consumption actually lead to more wellbeing?**

The Easterlin paradox demonstrates that over the long term, at a national level, increases in a country’s wealth are accompanied by a sharp rise in wellbeing up to a certain point. But once the basic needs of a population are largely met (food, water, sanitation, housing etc) additional rises in GDP have diminishing wellbeing returns. Wealthier nations are happier than poor nations, but subjective wellbeing has increased very little over the last few decades in richer nations despite substantial economic growth.

Psychological research demonstrates that, beyond a certain level, economic factors are a less reliable predictor of individual wellbeing. An increase in income from £20,000 per year to £40,000 per year will have a significant impact on wellbeing as basic physiological and security needs are more comfortably met, while an increase from £100,000 to £120,000 would have minimal impact on wellbeing, if any.

Being able to meet our basic needs is foundational to wellbeing. If we are hungry, cold,
insecure and worried about paying our rent it is hard to think of much else. Our anxiety levels rise and these deficits cause psychological and sometimes physiological harm – not to mention the raft of social harms exacerbated by poverty. When these deficit needs are initially met this causes immense relief and a sustained rise in wellbeing. But once these needs are consistently met we barely think of them and more of them doesn’t increase our happiness.

To improve our happiness, research shows that an **improvement in our material circumstances** does surprisingly little. There are a number of reasons why consuming more (once basic needs are met) has minimal impact on our wellbeing.

1. **Hedonic adaptation** - We humans are just very good at getting used to things. We save up to get a new car and hope that it will add some much needed excitement to our lives. And it does for a few weeks but soon it just becomes “the car”. It needs a clean, the tax needs renewing and the kids have left sticky sweets in the back again. Its shiny newness has worn off. This psychological process is a dream for advertisers. To help us along the road to hedonic adaptation to our iPhone 10 all they need to do is show us the shiny new iPhone 11 and the hedonic treadmill continues. Now that phone really will make me happy.

   ![Hedonic adaptation diagram](image)

2. **Status anxiety** – we all want other people to view us positively and to feel a sense of self-worth and that we’re doing “ok”. We can’t help but compare ourselves to others but as our lot improves, we move to the bigger house in the better neighbourhood and our social comparators change. In the age of social media, we are no longer just keeping up with the Joneses on our street, we are keeping up with the likes of the Kardashians. We find ourselves engaged in a psychological arms race to make sure we’re on trend, looking fierce, up with the latest tech and not getting left behind. But it’s never enough. We can never relax.

3. **Many goods sold do nothing to meet our real needs.** Economist Manfred Max-Neef describes how advertising preys on our real needs – e.g., for connection, identity, freedom – but the goods do little to actually meet those needs. He describes them as pseudo-satisfiers. McDonald’s adverts promise us joy and connection but that Big Mac just doesn’t deliver, SUV adverts promise us adventure and freedom but we end up stuck in traffic jams, polluting our own neighbourhoods, and wasting time as we struggle to find somewhere big enough to park.
2. **Crowding out real needs** – Far from meeting our psychological needs, psychologist Tim Kasser points out that focusing our time and energy on earning and consuming more actually hinders wellbeing, as the time we spend pursuing materialistic goals distracts us from pursuing the types of goals that genuinely meet our psychological needs. For example, spending a Saturday afternoon in a shopping centre won’t have the same wellbeing benefits as spending a Saturday afternoon playing football with friends. Working overtime to afford that SUV means less time with family and being home to read a bedtime story to your kids.

“Our don’t need enormous cars, they need admiration and respect. They don’t need a constant stream of new clothes; they need to feel that others consider them attractive, and they need excitement, variety and beauty… A society that allows itself to admit and articulate its nonmaterial human needs, and to find nonmaterial ways to satisfy them, would require much lower material and energy throughputs and would provide much higher levels of human fulfilment”.
- Donella Meadows

So what does make us happier?

For those who have their basic needs comfortably met – and for those making policy to shift patterns of consumption – the evidence from psychology and wellbeing literature shows that there are ways we can continue to increase wellbeing without excess consumption.

Wellbeing researchers suggest that for **sustained improvements to our wellbeing** we are much better off working on our attitudes and daily activities than on improving our material circumstances. A useful summary is provided by the New Economic Foundation’s **5 ways to wellbeing**, grounded in psychological research into what has the biggest impact on our wellbeing (again, once basic needs are met).
Connect – having good quality relationships and frequent social interaction is essential for psychological health. Whether it’s a deep and meaningful chat with your best friend, or a friendly chat with the local shop assistant. We are deeply social beings and connections with others nourish our health and wellbeing.

Take notice – this can mean paying attention mindfully to what is really important to us – and it can also mean paying attention to, and feeling grateful for what we have, rather than focusing on what we don’t have. This can be the ultimate antidote to advertising which cleverly stokes up new desires and offers to satiate them with the latest product. Wanting what one has rather than having what one wants turns out to be a much better recipe for subjective wellbeing. Taking control of our attention is also an essential skill in today’s world. Companies pay billions to get our attention through advertising which can have a negative impact on our wellbeing as we’re reminded of all the things we don’t have and compare our lives to unrealistic images of people living perfect lives.

Keep learning - Continued learning through life enhances our self-esteem and encourages us to meet new people. Activities like learning a new sport, listening to an informative podcast or learning how to cook can all boost our mood.

Give - Participation in social and community life has attracted a lot of attention in the field of wellbeing research. Individuals who report a greater interest in helping others are more likely to rate themselves as happy. When we do things that benefit other people and the planet, this has a big impact on our own wellbeing. Giving to something beyond ourselves helps give us a sense of meaning and fulfilment in our lives as well as boosting happiness.

Be active – exercise is great for our physical and mental health. It reduces the risk of a raft of illnesses but also releases endorphins that boost our mood and can improve our self-esteem as we feel fitter and stronger. The NHS recommends we do at least 150 minutes of moderate intensity exercise per week. Swapping car journeys to walk, run or cycle can be a great way to fit exercise into busy lives, while also reducing our emissions.
This body of evidence tells us that, for those of us lucky enough to have our basic needs met, our wellbeing can be largely improved without much need for excessive consumption (despite what Lululemon tell us, it is actually possible to do yoga without £118 leggings).

Yet our current economic system relies on households maintaining high levels of consumer spending in order to drive economic growth. In recent decades in countries such as the UK and US where economies are particularly reliant on household spending for growth, borrowing has become an ever-more-important part of the picture, with lower income households often spending more than they earn, just to keep the economy going.

A key driver of consumer spending is advertising which for the past 50 years has been left to create the narrative of what a good life entails with false promises of happiness and success from the latest product. Our top creative talent devise ever more persuasive cultural messages to convince us to consume more and in today’s world online advertising targets us in increasingly invasive and manipulative ways. Our personal data is tracked with every online interaction so we can be served ads to tempt us with just the thing we might want. This is great for business, but not so great for a liveable planet. A recent report by Purpose Disruptors estimates that advertising is adding an extra 28% to the annual carbon footprint of every single person in UK. While, as discussed, the goods we buy are not adding to our happiness but then, they are not designed to. In the words of mental health campaigner and author Matt Haig “Happiness isn’t very good for the economy. If we were happy with what we had, why would we need more?”.

Once again, it is important to re-iterate the importance of goods and services in delivering foundational wellbeing to all. Improvements in material circumstances provide immense wellbeing benefits to those in deficit of life’s necessities. But we need a new cultural story of what it means to live well. One that is compatible with the earth’s limits.

The case for economic change is clear. Our current economic system is delivering the opposite of what we need for wellbeing for everyone. The cost of living crisis is showing that the system isn’t working to improve the quality of life for many households who
are finding themselves choosing between heating and eating. The high prevalence of mental ill health and the lack of progress on wellbeing indicators in much of the developed world show it is not meeting our psychological needs either. Perversely, the things we actually need for healthy, happy, decent lives are becoming ever more expensive and out of reach – energy, healthy food, secure housing, good quality care for the young and the elderly - while we can much more readily afford things we don’t really need (like fast fashion) for next to nothing.

The failure of our current economic system to deliver wellbeing has not gone unnoticed by the public. 74% of people in G20 countries agree that they want the economic system to prioritise the wellbeing of people and ecological protection above profit and increasing wealth. This suggests a recognition that this is not what the current system delivers and at least the start of a mandate for economic change.

There is no shortage of new economic policy ideas and, as economist Jo Michell points out in this series, a simple logic to the next phase of our economic system, which is less income and wealth inequality and less inequality between those consuming too little and those consuming too much.

The challenge is to make this new economic system seem feasible, desirable and politically viable. While increasing living standards for those with the least must be a top priority for any new system, the physical limits of our living world must also be recognised. Measures to reduce consumption of resources will be necessary for a liveable planet and must target those who emit the most. To make this remotely palatable, cultural norms will need to start making living within a different, wellbeing-driven system seem attractive to those with the most as well as to those with the least.

Global Action Plan is leading research, campaigns and collective action to tackle the harms caused by the consumerism upon which our economy relies while working with people to build positive narratives of a brighter future, in which nature and wellbeing are the things we can enjoy in abundance.

For a raft of indicators to measure wellbeing, see “what works for wellbeing”, the UK’s independent body for wellbeing evidence, policy and practice.
Part four: Global justice - shifting the scale of consumption
For much of the last thirty years or so, progressive economists have argued that macroeconomic policy is too tight. In simpler terms, this means that some combination of higher government spending, lower taxation, and lower interest rates will lead to more jobs and higher incomes.

Such arguments are sometimes presented as part of advocacy for initiatives responding to the environmental crisis, such as the Green New Deal. For the most part, however, the environmental implications of higher near-term economic activity in rich countries do not attract much attention – it is taken as given that higher economic activity, as measured by gross domestic product (GDP), is unequivocally positive.

The current situation of high inflation, driven by energy shortages, war and climate change, serves as a sharp reminder that there is something missing in analysis which sees higher growth as an entirely free lunch. Almost all economic activity depletes scarce physical resources and generates carbon emissions. Higher employment usually comes at the cost of higher emissions. Furthermore, it is possible that we are now also reaching the end of the historic period in which physical resources were usually immediately available – so that economic activity could quickly rise in response to higher overall spending. The era of the Keynesian free lunch may be ending, replaced by a regime characterised by recurring inflationary episodes.

This puts progressive economists like me, who believe that the economies of rich countries are predominantly demand driven – meaning that higher overall spending means more jobs and higher incomes – in an uncomfortable position.
The prevailing progressive economic view relies partly on the idea of the “multiplier”. This is the claim, which is well supported by empirical evidence, that every pound of new spending in the economy will generate additional income and spending over and above the initial pound spent.

The mechanism works, to a large extent, by stimulating consumption spending: if a new government investment project is initiated – to provide additional green energy, for example – the money spent on the project – on wages, transport and materials – will be received by individuals and businesses as income. Some of this additional income will be spent on consumption, generating a second round of additional new incomes.

Similarly, the argument that redistribution from those on higher incomes to those on lower incomes is good for growth relies on the fact that those on lower incomes spend a greater proportion of their incomes on consumption goods – redistribution from rich to poor thus raises total consumption expenditure and economic activity.

How are progressive economists to respond to the now inescapable fact that current resource use greatly exceeds planetary limits, and “decoupling” – the trend for energy and resource use per dollar of spending to fall as GDP rises – will not be sufficient to stay within planetary boundaries if steady GDP growth continues?

There is no single answer to this question – the appropriate response will require action on many fronts simultaneously. However, economists are beginning to consider whether we need to introduce constraints on consumption, at least for those on higher incomes in rich countries, as part of the solution. Rather than relying only on voluntary consumer choice and natural shifts in consumption patterns – such as the trend towards lower consumption of meat in some rich countries – it may be that state intervention is required to influence both overall levels of consumption and its distribution.
There are two main arguments in favour of constraining consumption. The first is straightforward: all consumption, whether of food, transport, clothing or shelter, involves carbon emissions and resource depletion. Reduced consumption growth should translate directly into lower emissions growth.

The other relates to the need to reallocate current resources, including labour, towards the investment needed to fundamentally reshape our economic systems. Lower consumption means fewer people working in industries which provide for consumption spending, and fewer raw materials devoted to the production of consumption goods. This frees up resources for green investment: people and materials can be re-deployed towards the investment projects which are urgently needed.

This raises some thorny questions: what policy tools can be used to shift the composition and scale of consumption? Which groups should face incentives – or compulsion – to reduce consumption and what form should these measures take? How will voluntary shifts in consumption interact with more direct measures to reduce consumption? And crucially, how can jobs and incomes be protected without relying on consumption as a key driver?

Much of this comes down to issues of distribution. Statistics on poverty make clear that large numbers of people in rich nations are unable to consume sufficient basic necessities. Basic justice dictates that the average incomes and consumption of those in lower income countries be allowed to catch up with those of richer countries. The need for redistribution of income within countries, and income catch-up across countries is undeniable – yet such redistribution, if it were to occur without other changes, will lead to increased overall consumption and emissions.

It is therefore hard to avoid the conclusion that taxation and regulation will be required to limit some part of the energy-intensive consumption of those on higher incomes in rich countries, particularly consumption which can be considered “luxury” consumption.

One plausible response to such suggestions is to claim that voluntary shifts in the kinds of things produced and consumed will naturally lead to reduced emissions, even while “consumption”, as measured by the national accounts, continues to grow. This kind of voluntary behavioural and consumption change – buying fewer cheap clothes, holidaying by rail rather than plane, switching to electric cars – will have a part to play in the transition to a low carbon economy, alongside reorientation from goods consumption to a more services-driven “foundational” economy. It is unlikely, however, that such changes will be sufficient.
The politics of consumption constraints are daunting. Managing competing distributional claims in the face of opposition from increasingly concentrated wealth and power is hard enough when the overall pie is growing. As we move towards a world of potential genuine scarcity, the politics of redistribution will become even more malign. This only emphasises the importance of getting the economics right.

Any successful response to the climate and wider ecological crisis will inevitably involve action and change at all levels – from local organising and “organic” shifts in consumption to reform of financial systems and action to tame corporate power and concentrated wealth. Constraints on the consumption of the relatively well-off should be part of such a response. A debate about the economics and politics of these constraints is overdue.
Part five: The point of turning
This short series of essays is intended to open-up a conversation.

Progressive economists and thinkers have relied hitherto on the assumption that economies can just produce more of the same and boost people’s incomes to solve problems of weak demand and create stimulus in times of economic recession. But the particular global, supply-side and geopolitical features of the current crisis, intolerable inequality and the pressing ecological emergency are combining to force a rethink.

The problems and solutions are by no means exclusively economic. Economists therefore are only one voice in the process of defining change. Other disciplines, including psychology and natural sciences, and social, cultural and environmental movements must have a voice; economies exist to serve people and not the other way around; the economy is literally and etymologically encased within the earth’s natural systems.

But, as Natasha Parker argues, the way in which humanity has been shaped as a consumer is now deeply ingrained. It will take time and more than economic theory to change this.

Global Action Plan UK was established in 1993, in the aftermath of the Rio Earth Summit, with the aim of involving people in creating solutions to environmental problems. This vision, which has evolved to focus on action that improves the health of both people and planet, with priority placed on actions that change whole systems, remains.
Our part in change is to engage people and build public consent for action. It would be easy for the environment to pale as an issue in the face of the current, overwhelming pressure on household budgets, and yet the cost-of-living crisis is rooted in the same polluted ground as the ecological crises. We cannot tackle one without tackling the other.

Economist Jo Michell proposes a framework in which we aim for greater equality in consumption as well as income, using taxes and regulation to press down on the consumption of wealthier households and to help push up that of lower income households. Larissa Lockwood, Global Action Plan’s Director of Clean Air, argues that as well as targeting technological change, we should also aim to use policies to shift behaviour, for instance making it easier and cheaper for people to use public transport and walk or cycle or not travel at all.

All of these shifts are easier said than done. Grappling with the politics of change and with shifting public attitudes and normalising new choices is as important as the policies that will create the economic and regulatory frameworks within which those choices make sense. The current crisis might signal the beginning of the end of the era of hyper-globalisation; the era of cheap everything may be over. But public backlash – sometimes whipped-up by politicians, influencers and commentators, but often also organic – to rising prices and shifting economics is almost certain to be ferocious.

There is of course a dynamic relationship between policy and public attitudes. As Eric Lonergan and Corrine Sawers point out in their book Supercharge Me, simply taxing environmental ‘bads’ like carbon emissions is a very imprecise science, is often unfair and opens policymakers up to backlash. They argue that policy needs primarily to deal with what economists call demand inelasticity, which in lay person’s terms means that a lack of affordable alternatives forces people to pay the rising prices.

Lonergan and Sawers argue for what they call ‘extreme positive incentives for change’ or EPICs, that rapidly establish cheaper, green alternatives and collapse demand for
climate-polluting goods and services. As Larissa Lockwood says, this will not and cannot only be for technological substitutes alone, but for a wide range of different ways of achieving the same goals (or by changing our goals).

This argument builds on work by Schumpeterians, such as French economist Phillippe Aghion, who argue that economies are stronger when the creative destruction process is more rapid (i.e. when the innovation process is more rapid, causing firms to enter and exit markets at a higher rate). In effect, Lonergan and Sawers are arguing for forcing the pace of creative destruction more rapidly.

The combination of changes in the dynamics of globalisation and geopolitics, socially and politically intolerable levels of inequality and the jeopardy of ecological emergency should lead to a period of rapid creative destruction, but incumbency – especially the dominance of fossil fuel firms in the real economy and as a mainstay of capital markets – is proving hard to shift.

Thus policy must achieve a triple trick. It must reduce inequality by boosting lower incomes and reducing wealth accumulation, help rapidly establish new EPICs and also forcibly collapse demand for ecologically unsustainable products and services. In effect, policy must simultaneously make the new system cheaper and more attractive while reducing the operating space and economic viability of the old one.

There are three areas of policy that need particular attention:

1. **A Renewal of the Social Contract:** Even anti-state right wingers in the current government have been arguing for more state support for households. This is because, in the current crisis, the raw electoral politics of not supporting households to a greater extent are beyond contemplation. But rather than offer payments on an ad hoc basis, while the new system takes shape, government should systematically support households by renewing the safety nets and stepping in to provide more public services as an increased ‘social wage’.

2. **Caring and Green Economy Investment:** Government-led green and caring/foundational investment is needed to direct the shift in patterns of consumption from the UK’s high reliance on ecologically costly manufactured goods with complex, global supply chains, towards a greater reliance on foundational and caring services as well as green infrastructure and production. Investment is needed upfront to ensure that alternatives to the norm are available to people before they become locked out of the status quo.
3. Fiscal, Regulatory, and other Policy measures: The risk that rebound effects will undermine investment-led approaches and that higher income earners will be able to retain unsustainable patterns of consumption needs to be mitigated with a range of taxes and regulatory measures, including higher levels of wealth taxation and new rules to ensure economy-wide efficiency of resource use and to force the phase-out of polluting activities more quickly.

Broadly, 1 and 2 will help enable the new system and 3 will help ‘collapse demand’ in the old system.

The normalisation of post-consumerist values

Policymakers will struggle for political space to make the required level of changes without an equal and parallel effort to change the way consumerism has been normalised. This must include a shift in education towards global citizen and planetary stewardship values, so that not only do we have new norms emerging as the next cohort moves into civic and political life, but also in the meantime they become a powerful voice for change within households and communities.

We need creative professions and artists to imagine a world in which consumerism is less of a cultural driving force, changes in the way advertising is regulated and the modelling of caring economy approaches by critical influencers. The environment and new economy movements have hitherto mainly been policy focussed, but we won’t get the policy we need without a simultaneous normative shift and without this the policy we get won’t be successful.

Building the movement for change

The cost of living crisis threatens the economic security of millions of households in the UK and across the world. It is doubtful whether a return to ‘normal,’ in which economies are reliant on very high levels of material consumption, is now possible. But for the health of people and planet, it is certainly not desirable.

We must seize this moment of change and work towards a more sustainable, equal, and caring economy, in which our collective welfare and the protection of our planet’s natural abundance is the primary purpose of economics.
Authors

Andrew Pendleton, Deputy CEO and Director of Strategy and Advocacy

Andrew was a radio producer for ten years before moving into press work in the international development sector and then into policy and campaigns. He has worked for 2 think tanks and been head of campaigns at Friends of the Earth. Most recently, Andrew was at the New Economics Foundation as Director of Policy and Deputy CEO.

Larissa Lockwood, Director of Clean Air

Larissa’s purpose and passion has always been about advancing sustainability, and inspiring others to join her in making a difference. From enthusiastic student campaigner to government policy advisor, she helped establish the sustainable development unit and carbon reduction strategy for the NHS, and leveraged her behavioural science degree knowledge at the Carbon Trust to influence the public sector. Larissa’s inspiration for change is the foundation of her role in directing the clean air portfolio for Global Action Plan. As an effective leader at GAP, she is completely focused on mobilising individuals and organisations to take action that is good for people and the planet.

Natasha Parker, Head of Post-consumerism

Natasha has had a varied career, spending 5 years as a Human Resources professional, 5 years managing drug and alcohol recovery services, a couple of years in wellbeing charities and now 6 years in the environmental sector.

Natasha has a Masters in Applied Positive Psychology and is currently studying for her PhD in Environmental Psychology. She has had 3 academic journal papers published with research into materialistic values, wellbeing and pro-environmental behaviour.
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Jo Michell is Associate Professor in Economics at UWE Bristol. His research interests include macroeconomics, banking and finance and political economy. He has published widely in academic journals and for non-academic audiences. He has worked with international organisations including the United Nations Conference on Trade and Development (UNCTAD) and the International Labour Organisation (ILO). He regularly collaborates with progressive UK thinktanks such as NEF and IPPR. He is Secretary of the Post Keynesian Economics Society.
About Global Action Plan

Global Action Plan is an environmental charity working towards a green and thriving planet where everyone can enjoy happy and healthy lives within the Earth’s limits.

We tackle the root causes of our climate and nature crises through research, campaigns and collective action that reconnect human and planetary health.

We take a two part approach which challenges the destructive forces and reveals the brighter alternatives.

Find out more about Global Action Plan