Corbynomics: let's be sceptical about the growth rhetoric\(^1\).
Mark H Burton\(^2\)

“So all our emphasis and work and campaigning is about an expanding economy and investing in an expanding economy”
Jeremy Corbyn, quoted by The Independent, 29 February 2016

The election of Jeremy Corbyn and the appointment of John McDonnell signals a refreshing break from the politics of austerity and the economically illiterate notion of running a permanent government surplus. At last we are seeing Labour openly recognise that a government can borrow at advantageous rates and can, where necessary and appropriate, create money. While the new leadership is widely portrayed as of the “far left”, the new approach is economically broadly neo-Keynesian rather than Marxist. Far from overthrowing capitalism, it recognises that the State needs to intervene in the capitalist economy, both to regulate it and to moderate the cycle of boom and bust (and provide protection to those who would otherwise be vulnerable). Much of the inspiration seems to come from a small group of thinkers who could be called post-Keynesian\(^1\), some of them associated with the Green New Deal Group, (Richard Murphy, architect of proposals for the National Investment Bank and Green, or People’s Quantitative Easing, and Ann Pettifor, one of McDonnell's advisory team). Indeed, with Corbyn’s generally high commitment to the environment\(^2\), we might see Corbynomics as Green Keynesianism.

Limits to Keynes

But herein lie some problems\(^3\). The first of these is in the idea, spelt out very clearly in the original Green New Deal paper\(^4\), of stimulating the economy for environmental benefit. That means using things like investment in public transport, housing and massive programmes of insulation for buildings, to create jobs, whose occupants then spend their wages in the economy, so contributing to taxes, and to broader economic well-being: this is the so-called “Keynesian multiplier”. The problem, what Green MEP and former professor of ecological economics, Molly Scott Cato calls the “paradox of Green Keynesianism”\(^5\), is that those multiplier effects are likely to mean greater consumption, meaning greater resource throughput, and hence increased greenhouse gas emissions and other kinds of damage to the ecosystems we all depend on. It is sometimes argued that there is a distinction between stimulating investment (for example for infrastructure) and stimulating consumption. Yet the distinction seems difficult to sustain after the first round of expenditure, since the whole point of Keynesian stimulus is to re-energise economic activity, now usually subsumed under “economic growth”, a concept that is so much part of everyday political and economic parlance that we hardly notice it, let alone question what it means, and what impacts it has.

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1 Available online at [https://uncommontater.net/2016/01/11/corbynomics-lets-be-sceptical-about-the-growth-rhetoric/](https://uncommontater.net/2016/01/11/corbynomics-lets-be-sceptical-about-the-growth-rhetoric/) Licensed under a Creative Commons Attribution-NonCommercial-ShareAlike 4.0 International License. [http://creativecommons.org/licenses/by-nc-sa/4.0/](http://creativecommons.org/licenses/by-nc-sa/4.0/)
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The decoupling myth

Now, the International Panel on Climate Change, in their most recent report, make it very clear that economic “growth” is the main culprit for the inexorable rise in Greenhouse Gas concentrations in the atmosphere, which seriously threaten runaway global warming. Some commentators, notably the New Climate Economy NGO led by Nicholas Stern of the LSE and former right wing Mexican president Felipe Calderón, suggest that it is possible to de-couple economic growth from emissions. The problem, with that, as Tim Jackson (commissioned to research this by Ed Miliband) and others have shown, is that the evidence to date only demonstrates decoupling in relative terms: the rate of increase of emissions may decrease with GDP growth but in absolute terms they are still rising, just more slowly. Claims have recently been made that some economies have achieved absolute decoupling (where GDP growth goes with no increase or a reduction in emissions), but I have shown them to be unfounded because they turn out to be based only on emissions made within the national territory, ignoring all the emissions their consumption causes elsewhere in the world (most of our consumer goods are made in China and other majority world countries and then shipped here, entailing yet more emissions). So, the paradox of Green Keynesianism is that it turns out not to be green at all.

Growth and social justice

This is not the only “diseconomy of growth”. Firstly, “growth” is typically seen as the way to deal with poverty and the metaphor of “lifing all boats” is invoked, or implied. But the metaphor doesn’t work: the bigger boats actually rise more than the little ones, some of which capsize (investment leads to technological investment – Marx’s “organic composition of capital” - which puts people out of work). And even if all the boats floated upward, the inequalities would still be there – we know full well that wealth does not trickle down: poverty reduction requires specific economic and social interventions to redistribute (and indeed pre-distribute) both income and wealth, while securing meaningful and economically resilient occupation for all that want it. So it makes more sense to focus directly on increasing equality than to try and improve the lot of the disadvantaged “remotely” by general material growth of the economy. Corbyn’s calls to to limit pay multiples and incentivise companies to pay the Living Wage are just what is needed.

Secondly, there is the so-called Easterlin paradox: increases in GDP (or personal income) do not lead to increases in life-satisfaction or well-being. The measurement and statistical issues here are complex, but it seems that once a reasonably comfortable standard of living has been reached, then the gains in well-being are uncertain, and levels of inequality are a better predictor of population well-being. This is not so surprising: accumulating more and more material possessions can lead not to happiness but to an emptiness, in contrast to cultural and social growth which is less dependent on material consumption. Again, there is a class dimension to this: the more disposable income a person has, the higher the carbon emissions (richest 10 per cent emit three times that of...
the poorest 10 per cent\(^\text{13}\)): hence the call for a frequent flyer levy, which would hit the rich but not the person with the occasional overseas holiday\(^\text{14}\).

**Socialism without growth?**

So we need a different approach. While the dominance of the economic growth narrative makes this difficult, there is a growing body of work to identify practical policies for an economy that does not grow but that nevertheless delivers economic, social and ecological well-being, what we have called the “Viable Economy”\(^\text{15}\). There are several places to look. The work of ecological economists such as Tim Jackson (University of Surrey) and Peter Victor goes into detail about the macro-economics of the steady state economy\(^\text{16}\), while Dan O'Neill (University of Leeds) has put together a compilation of policies for practical implementation, with an emphasis on social justice\(^\text{17}\). Our group, Steady State Manchester, has been focussing on what such policies look like in a regional context\(^\text{18}\).

Yet both Corbyn\(^\text{19}\) and McDonnell are posing growth-orientated policy as the counter to Tory austerity. Investment in areas like health, social care, education, low cost housing, renewables and insulation would be desirable, and to a significant degree self-funding via increased tax receipts\(^\text{20}\) but we are left with the problem identified above of the inability to select the subsequent economic and environmental impacts (indeed in an economy like the UK one, with so little domestic manufacture, one consequence of stimulus would be increased imports of consumer goods). Probably the only way that Keynesian demand stimulus could be made to work without contributing to environmental damage is to combine it with a cap on carbon emissions. As Herman Daly shows in his textbook *Ecological Economics*\(^\text{21}\), capping resource use is a more effective policy than trying to put a price on it, either by taxation or through some kind of market mechanism (the effects of both are rather unpredictable). The Irish think tank FEASTA has suggested a policy called “cap and share”\(^\text{22}\) where an annual reducing global cap on fossil fuel extraction is allocated to citizens, who can then elect to trade it with one another: this is inherently redistributive, since it is the richer people who engage in higher carbon activities – they would have to pay someone else for the privilege. Maybe it is hard to see this being put into place, but it is just the kind of creative and innovative approach that we need, and which could work, possibly funding the increasingly discussed citizens’ basic income\(^\text{23}\). Why not trial this in the UK?

Perhaps of most interest in relation to “Corbynomics” has been the set of proposals drafted by Giorgos Kallis\(^\text{24}\) and colleagues from the Barcelona Research and Degrowth group in response to the economic strategy published in November 2014 by Podemos (which does include a variety of very welcome proposals such as forgiveness of a proportion of citizen debt, a reduction in working hours, and shifting investment towards caring, education and the green economy). It is worth listing their suggestions, which are intended to be complementary, rather than “pick and mix”, to give a flavour of what John McDonnell's
team could be considering. Here I list them with some re-contextualisation for the UK context.

1. **Citizen debt audit** to not just restructure but eliminate the debts via their "pardon" (already implemented in Slovenia). This shouldn't penalise savers and those with modest pensions but the debt of those that have considerable income and assets should not be pardoned, and those who lent for speculation should certainly take the losses.

2. **Work-sharing** by reducing the working week at least to 32 hours and develop programmes that support employers that want to facilitate job-sharing. Loss of salary from working less should only affect the 10% highest income bracket. This has from time to time been a demand of the Labour movement (in the 1980s in Australia and more recently, with some success in France).

3. **Basic and maximum income.** This involves a minimum income for all. Despite poor publicity for the Green Party's proposal on a citizens' income, studies in the UK (including one by Richard Murphy) point to its feasibility.

4. **Green tax reform.** Implement an accounting system to transform, over time, the tax system to one based on the use of energy and resources and combine this with a wealth and property tax.

5. **Stop subsidizing and investing in activities that are highly polluting,** moving the liberated public funds towards clean production. Pretty much the opposite of Osbornomics!

6. **Support the alternative, solidarity society.** This is probably stronger in Southern Europe, although there are elements here that can be supported and promoted, through subsidies and tax exemptions. It also means the de-privatisation of public space, opening up resources to community groups.

7. **Optimise the use of buildings.** The Barcelona group suggest this means a halt to building new housing, which probably makes sense in Spain with many vacant, speculatively built properties (and a high level of evictions). Here it would suggest a hierarchy starting from expropriation of vacant housing, incentives for people to down-size and share, to prioritise retrofitting and refurbishment, and then responding to any remaining need by building social housing on brownfield sites. To this should be added a jobs-generating deep retrofit programme to ensure that property brought back into use is both cheap to heat and has very low emissions.

8. **Reduce advertising.** Establish very restrictive criteria for allowing advertising in public spaces, reducing the incessant promotion of consumption – something that has been done in both Grenoble and São Paulo and which we have called for in Manchester.

9. **Establish environmental limits,** as discussed above, via absolute and diminishing caps on the total of CO₂e that can be produced and the total quantity of material
resources (material, water, land) that the country uses, including, via a footprinting approach, emissions and materials embedded in imported products.

10. Abolish the use of GDP as indicator of economic progress. If GDP is a misleading indicator, let's stop using it and look for other indicators of prosperity. Indeed, as Ann Pettifor has argued\(^{28}\), and shown how, in some of her writing, we shouldn't be talking about growth at all, but instead (as Keynes did), focus on what is actually going on in the economy, things like jobs, incomes, activity, investment. Richard Murphy has recently made a similar point\(^{29}\). Interestingly, US social democratic candidate for the Democratic Party presidential nomination, Bernie Sanders, who has been loosely compared with Jeremy Corbyn, makes very little mention of economic “growth” in his campaign speeches and publications, despite promoting a similar reflationary approach. However this demonstrates that the issue here is not merely one of language, but of the need to change the narrative in conjunction with implementing economic and social policies that are neither growth-generating nor growth-dependent.

The above suggestions make it clear that an economic policy can be generated from a degrowth perspective without being labelled as such (which might be too scary for some supporters\(^{30}\)). Although mutually complementary, the proposals should not be taken as a definitive final list. There is a need for them to be refined, modelled and above all debated within the movement and with the public. There are other proposals that could be added, particularly in the context of the UK with its overblown financial services sector. Whatever the final mix though, Corbyn and McDonnell really do need to stop the blether about "economic growth" and tackle, using less abstracted terms, the puzzle of maximising economic and social well-being while making and keeping safe the global and national ecosystem we share and depend upon.

Notes (following page).


See http://newclimateeconomy.net/content/aims-and-rationale


Campaign site: http://afreeride.org/


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29 See the first comment, from me, and Richard’s response.