

# Economics for sustainability

Conference: The Lost Decade? Planning the Future  
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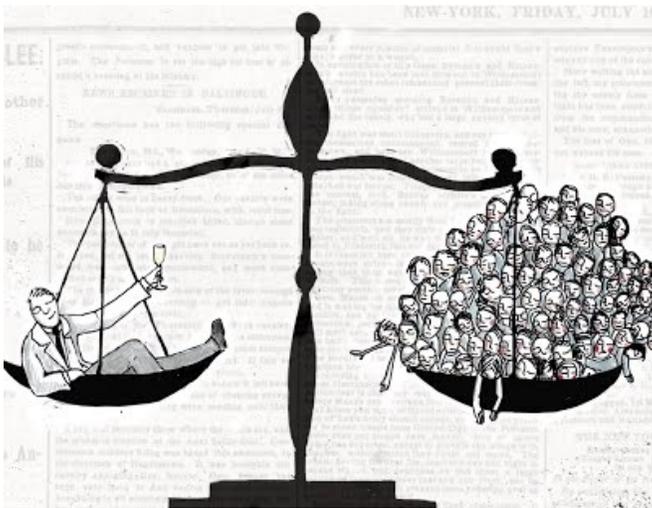
Huge challenges!

How does mainstream economics perform in relation to these?



Can another approach perform better?

Performance for whom?



# Performativity approach

Callon, Mitchell

Not about criticizing economics for misrepresenting reality  
(which it certainly does!)

Point of departure for the critique:

The main task of social science is **not about representing** a material world external to itself

It is about **being useful** for organizing sociotechnical practices

Useful for what? For whom?

Key questions:

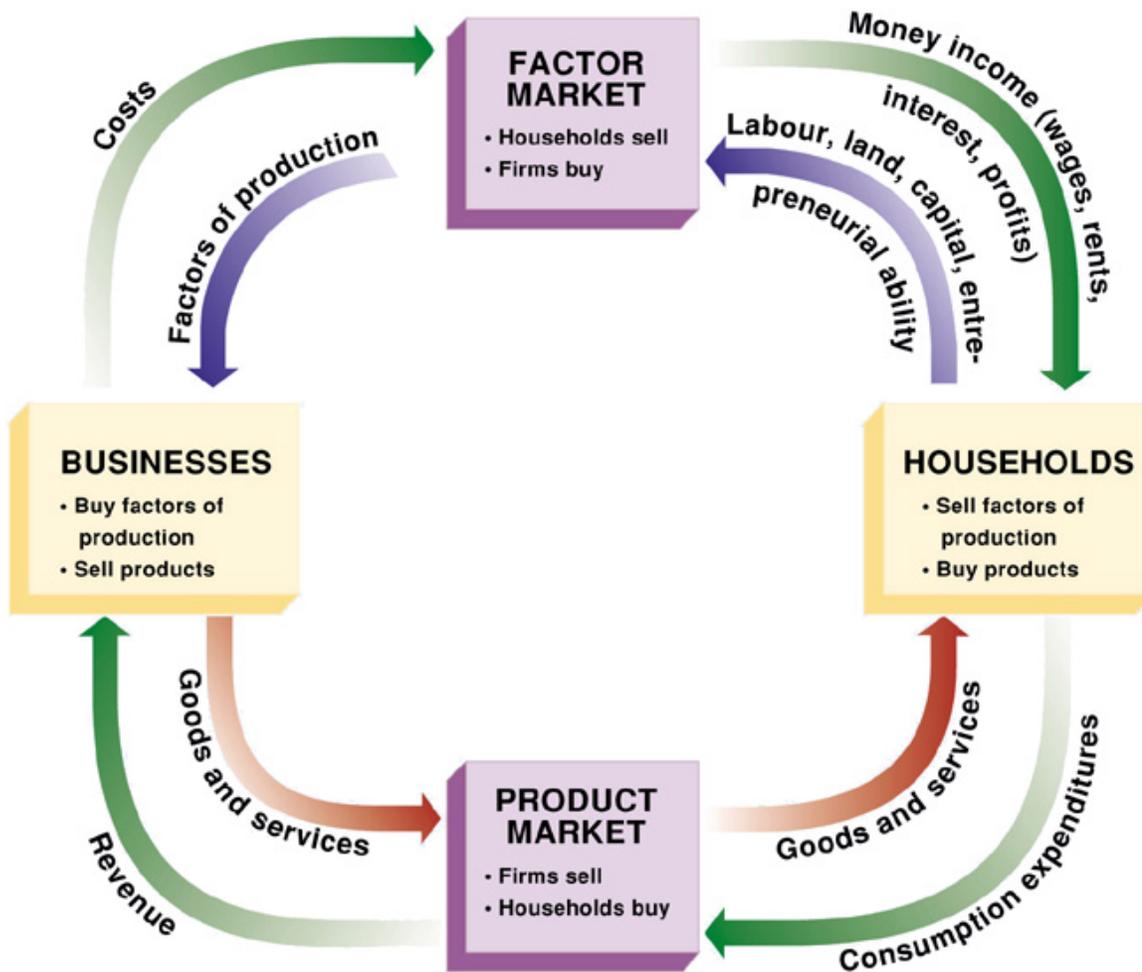
- How does mainstream economics "perform" in relation to the challenges?
- What is needed to "perform" differently for the suppressed groups?



Who are the suppressed groups in need of alternative approaches?



Environmental justice conflicts at the commodity frontiers



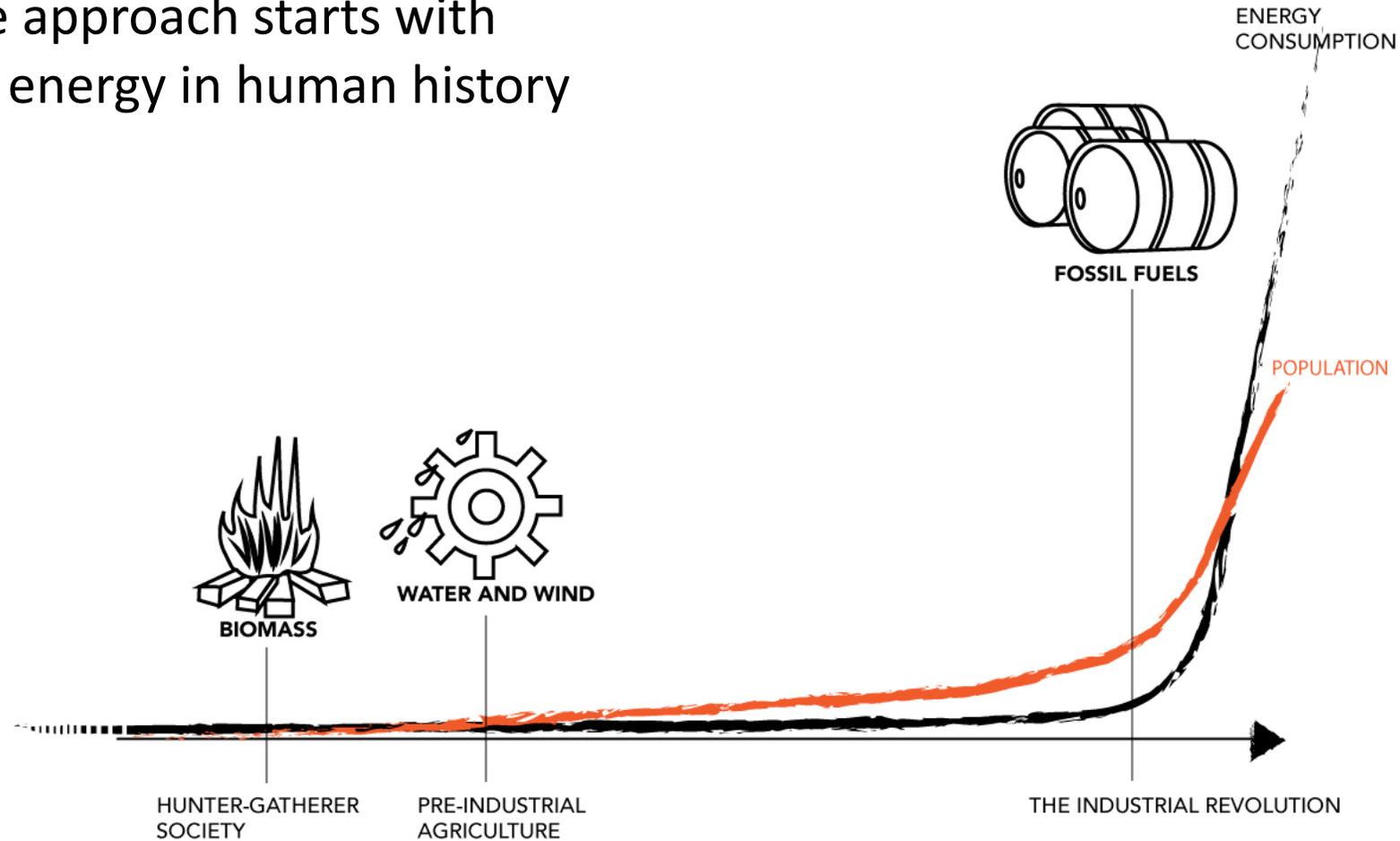
The simple circular flow model entails performative messages:

First, it is like a perpetual motion machine, which is not embedded in nature

What does this perform?

- A focus on maximizing the flow (GDP)
- Lack of focus on humans as part of and dependent on nature
- Lack of focus on energy

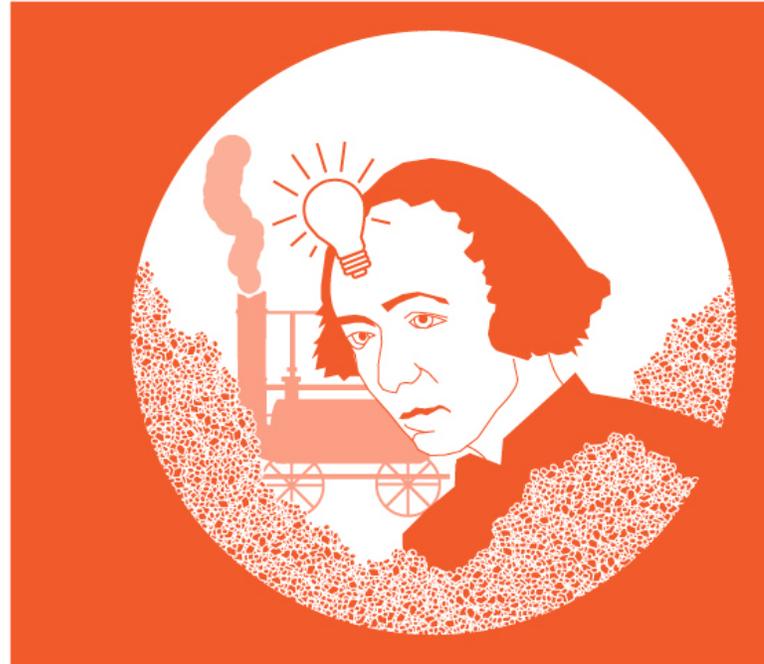
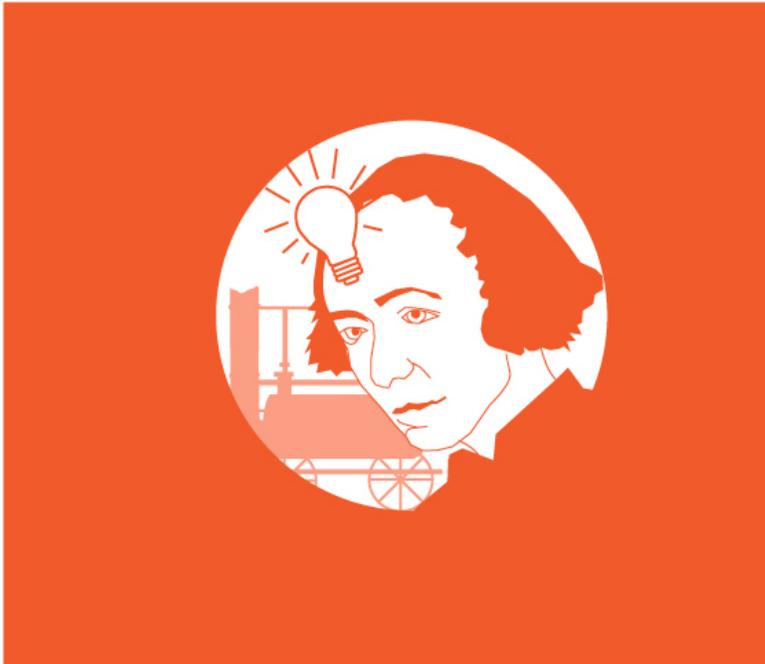
Alternative approach starts with the role of energy in human history



Population growth and increasing living standards are made possible by a large number of "energy slaves"

# The misleading story of the industrial revolution: brilliant ideas

WITHOUT ENERGY, IT'S NOT POSSIBLE



Brilliant ideas are not enough

The importance of energy quality:

- Exergy, work energy
- Energy density

Difficult to find comparable alternatives

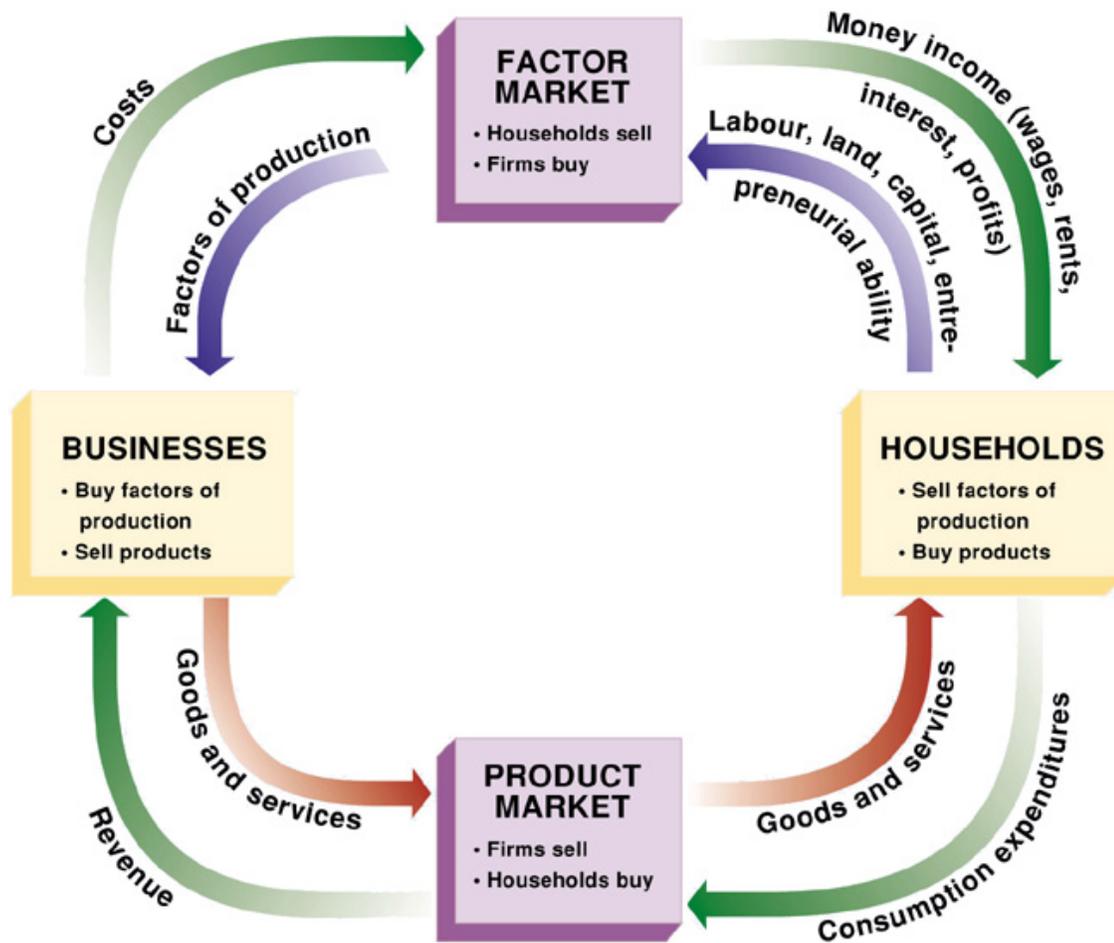
(Ayres and Warr: Explaining Solow's residual)

What does this perform? A different understanding of the challenges, a focus on limits

A transformation to a new phase in the history of society's metabolism – a new energy basis

Much more radical than e.g. a new phase of capitalism

In a situation with many other environmental challenges and a large global population



Second, everybody get what they deserve

(i.e. in accordance with the contribution to production by the production factors they own: labour and assets)

What does that perform?

- Inequality is justified – do not intervene
- Solutions should rely on making it profitable to be green

## Alternative approach: revive and renew the understanding of rent

**Ownership** as such does not contribute anything  
Only real personal **effort** deserves reward

### Ricardo's land rent:

When grain prices are determined by the costs of production on marginal land, owners of more fertile land earn a surplus that has no relation to labour or sacrifice. This is not justified. Henry George: Tax it away.

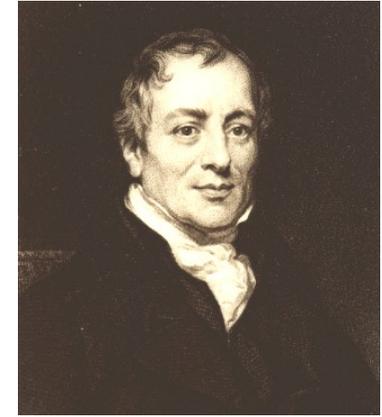
### A modern approach to rent:

- Relates to control of assets that cannot be quickly and widely replicated (or only by a limited group)
- Exceeds the expenditure and **proportionate compensation** for the labour needed to bring the asset into use



Rentier power: extraction of rents from all sorts of assets  
Can be in the form of wages (e.g. in finance and IT)  
Rent-seeking: acquire existing assets, cumulative process  
Business strategies: prevent replication

**Performance:** focus on power and institutions in order to socialize rent, making sustainability transitions socially acceptable and possible



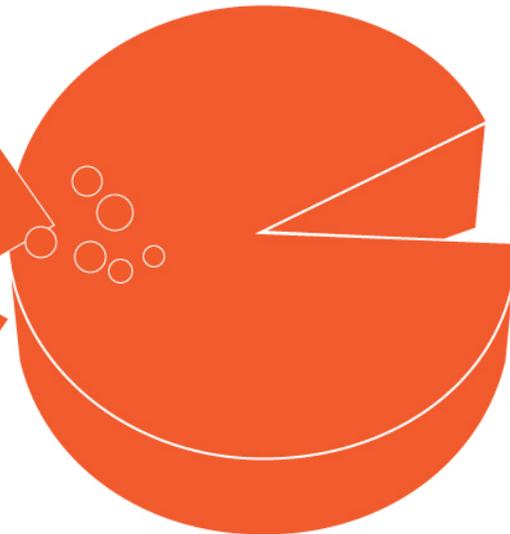
# Replacing the circular model

## THE 'REAL' CAKE

**THE BAKERY:**  
DIFFERENT ECONOMIC ENTITIES PRODUCE  
VALUES



THE CAKE



**EATING:**  
METHODS TO OBTAIN  
THE USE VALUES

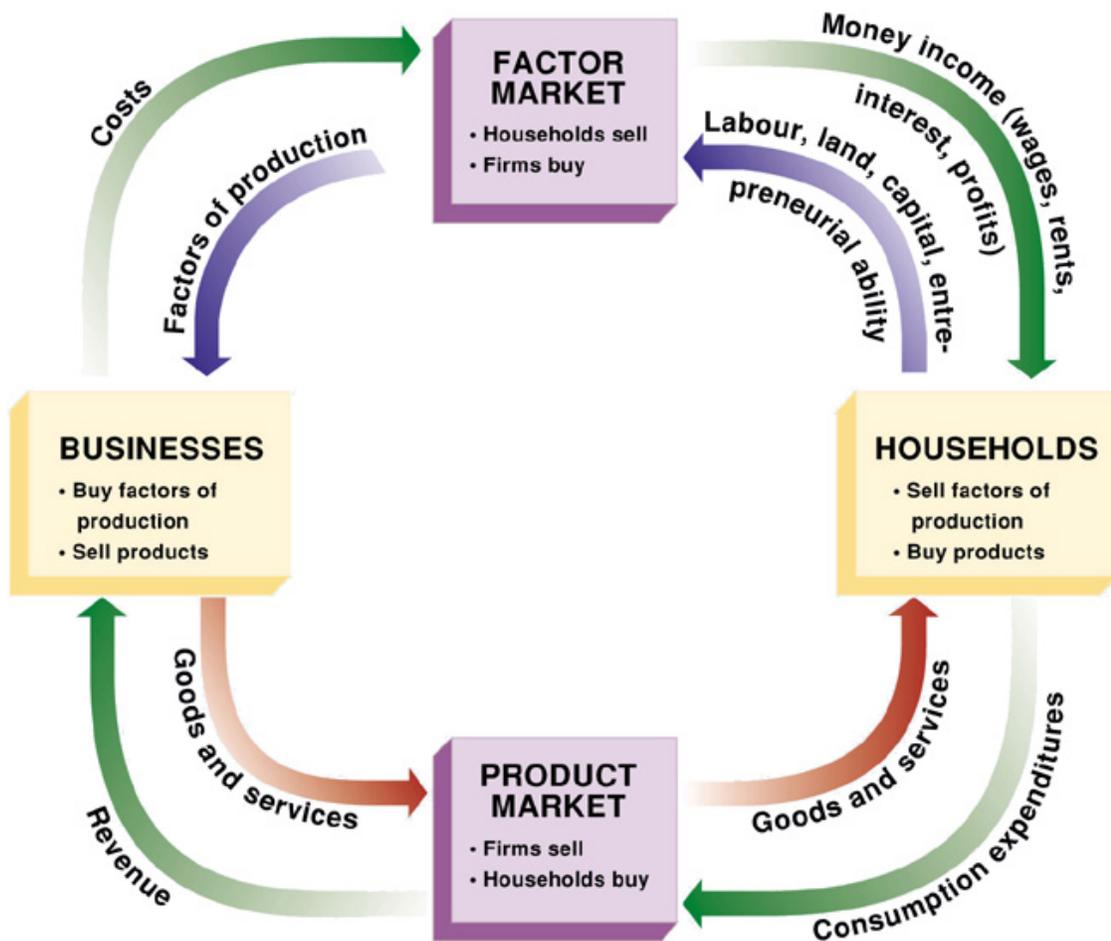
Demands on the cake emerge from

## Non-monetary demands

- Care in the family and civil society
- Rights as citizens
- ...

## Monetary demands

- Socially acceptable income from work and efforts
- Rent
  - Inheritance
  - Compound interest
  - Capital gains
  - Patents
  - Monopolies
  - Financial constructions
  - Tax havens
  - ...



A focus on

- market-based activities
- prices as relevant information on value

Performance:

- Markets should be as "free" as possible, only slightly modified
- Calculate optimal solutions on the basis of prices
- Privatize and commodify
- Technology neutrality, not planning

Alternative approach:

**Prices** are not a good measure of **value**

Prices are **distributional mechanisms** – not the results of a value-free process

Prices are based on institutions, power relations, historical conditions, culture, etc.

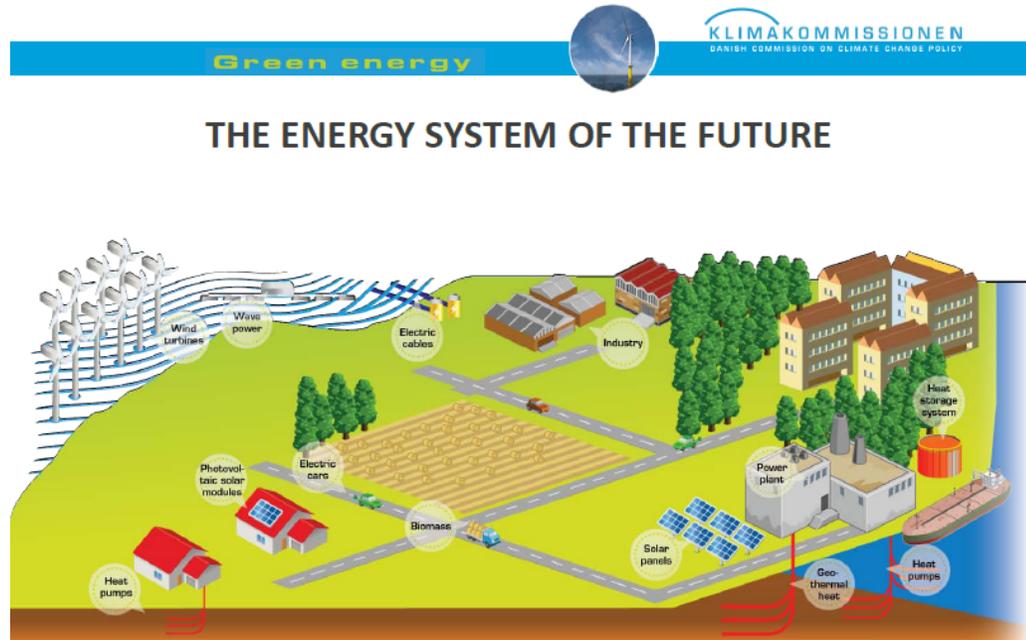
Apply **biophysical metrics** and **deliberative methods** instead

Avoid absurdities:

Denmark needs to exploit oil and gas resources to fund sustainability transitions



# Combining systems and separate technologies



Transformation requires **planning** based on biophysical considerations

Sustainability transitions should focus on systems and rely on **purposeful construction** of markets and other institutional mechanisms for allocation

More sustainable systems cannot be based on "technology neutrality"

Effective cogwheels in irrational machines is no solution



# Market fundamentalism is a barrier to sustainability

...everything looks like a nail

The concept of the "free market" as an ideal and a contrast to regulation is nonsense



## There is no such thing as a free market

All markets are regulated and formed in a historical process

Ha-Joon Chang: "A market looks free only because we so unconditionally accept its underlying restrictions that we fail to see them"

It does not make sense to "leave it to the market" to determine how sustainability transitions should proceed

**Markets are always constructed – the point is to regulate markets and other institutions in order to achieve societal goals, not to fulfill abstract criteria based on wild dreams of "free markets"**

**It is not enough to ask for pluralism!**

Mainstream economics is stuck in old myths and metrics that constitute barriers to sustainability transitions

Permeates the media discussions

**A new economics is needed**



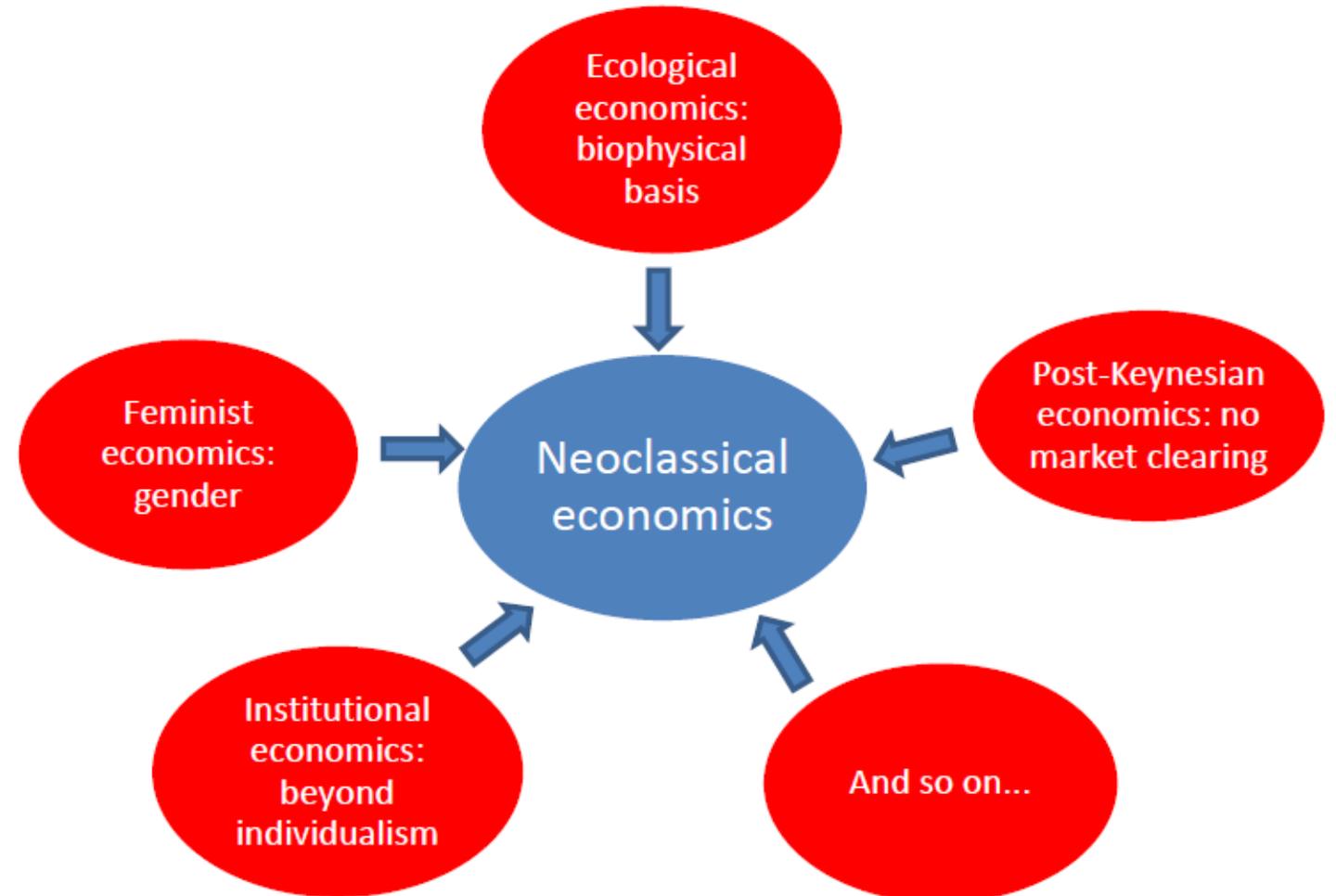
## Developing a new economics?

A strength of mainstream economics: a relatively coherent body of thought as a basis

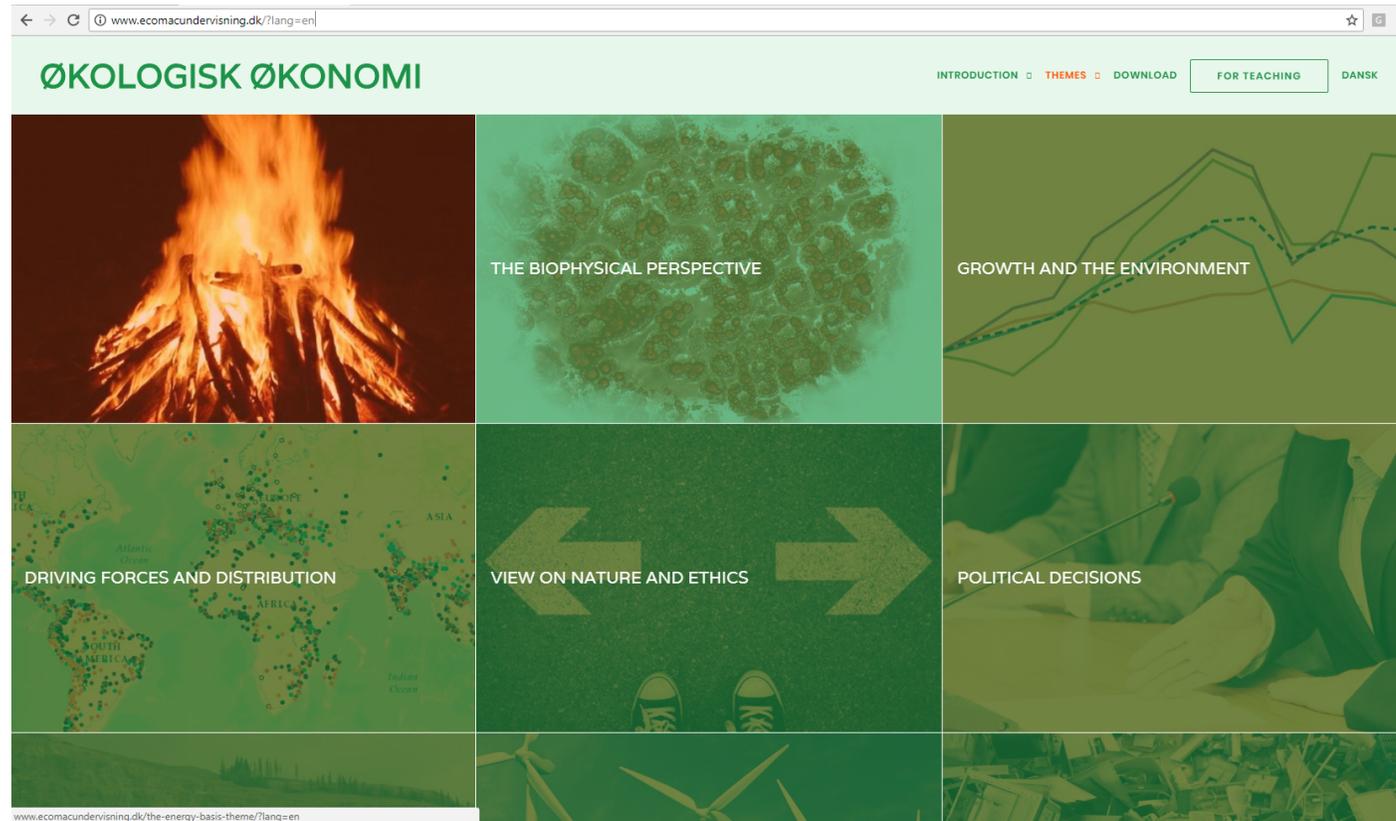
Edward Fullbrook:  
Heterodox economics communities tend to focus on separate issues. Each with their own institutions, hierarchies, sacred texts...

We need a **shared alternative:**  
**A new Econ 101**

**In addition to the specializations**



One of the contributions to a new Econ 101 comes from ecological economics – ensuring the biophysical foundation



Read more: <http://www.ecomacundervisning.dk/?lang=en>

Thank you for your attention!