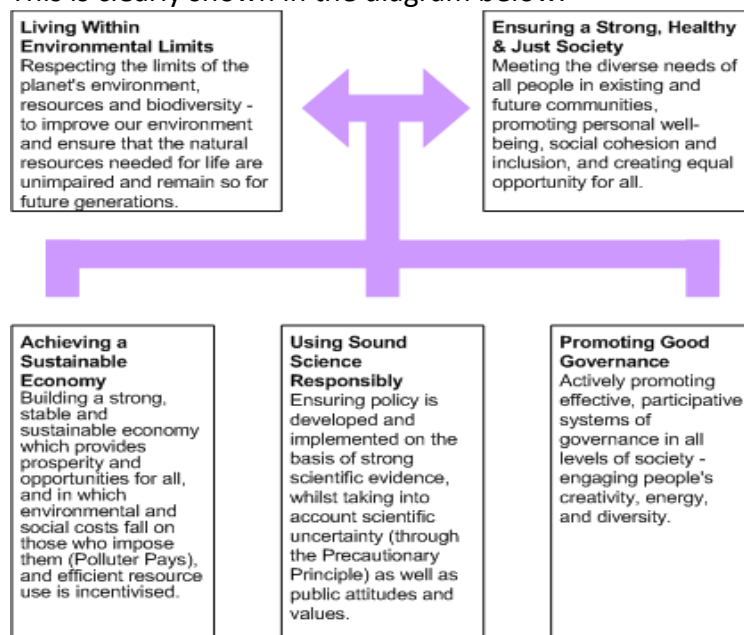


Our Narrative on the Environment and the Economy

The relationship between our economy, wellbeing and the environment - The principals and hierarchy of Sustainable Development.

Our economy is a means to wellbeing and needs to operate within environmental limits. This is clearly shown in the diagram below.



Taken from: *One Future Different Paths - The UK Shared Framework for Sustainable Development*

This hierarchy and the relationships between our economy, wellbeing and the environment need to be reflected in the way in which policy areas interact with each other. In Scotland, the Economic Strategy sits above other policy areas, contravening the above and is often viewed as an ends in itself, forgetting its purpose of contributing to wellbeing or the imperative of remaining within environmental limits.

We are not living sustainably and are breaching environmental limits.

Research by [Oxfam](#) shows that in Scotland we have broken six of the nine planetary boundaries; air quality, phosphorus cycle, ocean health, nitrogen cycle, land use change and climate change. Human induced climate change is widely recognised and international efforts are underway to address it. Recent [work](#) by James Curran worryingly shows that biomass decline means that carbon sequestration rates have begun to fall; exacerbating the climate change impact of carbon emissions.

Our economic system is part of the problem. It is not environmentally sustainable and it is driving environmental degradation.

Since the 1970s many Western governments, particularly the USA and UK, have been pursuing a particular form of capitalism, neoliberalism, under which the role of the market and the benefits of free trade are elevated and the function of the State is reduced. This extreme free market thinking is one of the main causes of environmental degradation. The economic system has demanded a steady rise in the throughput of raw materials and has coincided with accelerated environmental impact and can be directly linked to human induced climate change. Our quest for continuous economic growth, fuelled by a culture of consumption, means that we are consuming three times our fair share of natural resources.

Our economic system is also not very good at increasing wellbeing for the majority.

Inequality has increased with many people not feeling any benefit from economic growth, explained by [Maxton, G \(2016\)](#). What is more, [evidence](#) shows that economic growth is not linked to increases in life satisfaction once a certain level of GDP per capita is achieved.

We need to manage our economy differently.

The economic system needs to both recognise that it relies on a healthy and robust environment, and that economic activity should produce socially useful goods and services and provide decent jobs and fair incomes. The concept of a Circular Economy has gained interest recently. A more circular and sustainable economy has the potential to generate [jobs](#) and [economic activity](#) as well as reduce [environmental impact](#). Economic decisions need to be informed by environmental impact and work around natural capital is developing approaches to do this, such as the [Natural Capital Protocol](#). After all, as Stern's well known review of the Economics of Climate Change tells us, it will cost society much more to mitigate the effects of climate change than to reduce our carbon emissions to sustainable levels.

We need different measures of progress.

We also need to use different indicators to measure progress or success. Currently Gross Domestic Product (GDP) is widely seen as synonymous with success, but GDP only assesses levels of economic activity, or how busy the economy is. It takes no account of whether it is socially desirable activity or the affect it is having on the environment. As Simon Kuznets, the creator of GDP, said *'Distinction must be kept in mind between quantity and quality of growth, between its costs and return, and between the short and the long term. Goals for more growth should specify more growth of what and for what.'* Joseph Stiglitz: *'Any good measure of how we are going must also take account of sustainability.'* The New Economics Foundation have [worked](#) on refining key indicators needed to reflect the different elements of progress and they suggest: good jobs, wellbeing, environment, fairness and health.

We need the Government to take action to manage a just transition.

There needs to be a strategy, with associated investment plans and skills development, to ensure that an active and planned approach is taken to moving the economy to one that is low carbon and sustainable.

Economics as a discipline needs to be reinvigorated with alternative and new thinking.

There is a growing movement, particularly amongst university student groups, such as [Manchester](#), which is challenging the orthodoxy. Kate Raworth's new book: Doughnut

Economics, explores this territory and suggests seven ways in which economics needs to change.

LINK's Economics Group developed a [Briefing](#) (n the Economy and Environment for advocacy.