

The “Green Economy” Paradigm Shift

Key points by Steve McCoy

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Background for the talk:

In the past week, two interesting and important events took place

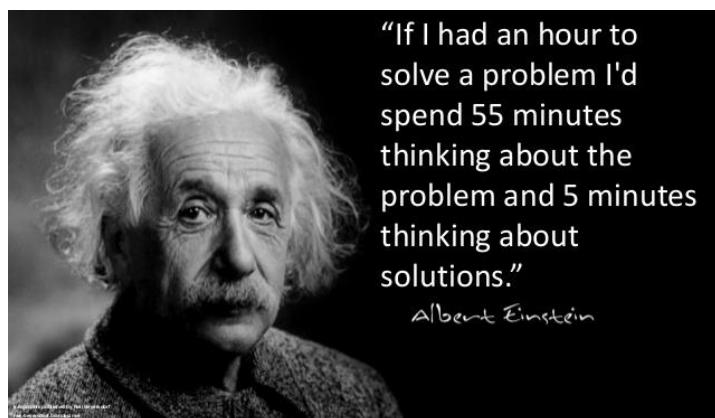
- The UN Intergovernmental Panel on Climate Change's (IPCC) newly published report (SR15) on climate change came calls for urgent action to phase out fossil fuels and warning that we only have 12 years to avoid a climate catastrophe.
- The Nobel Prize in Economics was given to two environmental economists (William Nordhaus and Paul Romer)

This raised the question: Is the World finally going to take climate change seriously? Will we finally see a paradigm shift with respect to our economic system and economic thinking that entice us to save the World - and thereby also ourselves?

To help us shed light on these important and complex issues, and to lead the discussion on what policies we should propose for governments around the World, we invited guest speaker Steve McCoy, one of Malaysia's foremost environmental intellectuals.

Key points by Steve McCoy:

The first part of Steve's talk focused on the fundamentals of problem solving, both when it comes to the clarity of the language/terms we use as well ensuring that we are asking the right questions. The latter point was illustrated with this excellent quote by Albert Einstein:

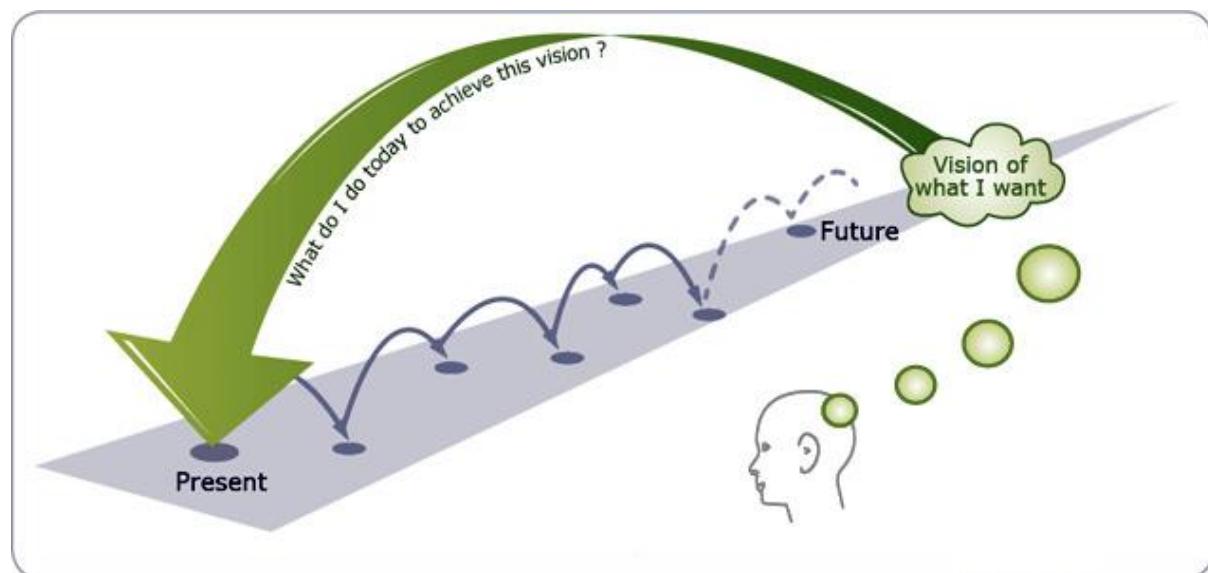


"If I had an hour to solve a problem and my life depended on the solution, I would spend the first 55 minutes determining the proper question to ask, for once I know the proper question, I could solve the problem in less than five minutes."

Albert Einstein

Given the severity of the climate change facts and the impending and irreversible climate change catastrophe, Steve did not think that we are asking the right questions. Instead, he likened us to the boiling frog fable, where a frog put in tepid water brought to a boil slowly will not perceive the danger and will be cooked to death.

Steve had some enlightening perspectives on how best to plan our future. While it is commonplace to plan for incremental improvement of what we got, Steve made a strong case for backcasting where we first formulate a "future vision of what we want", which then leads to strategies of transformational change:



Backcasting: A vision for the future that spurs transformational change as opposed to just making things less bad

Steve used the example of the building sector as a classic example of how most green building certification schemes just reduces the environmental impact of buildings (i.e. “less bad”) instead of creating a vision where buildings can be regenerative (i.e. be a net benefit to the environment), which the new and transformative green building certification scheme “Living Building Challenge” is all about.

On a related note, Steve did not think that the Nobel Prize in Economics for the so-called “environmental economists” William Nordhaus and Paul Romer, was environmentally transformational, as their work applied complex mathematical models to the existing economic growth dogma. A worthier recipient would have been a transformational “environmental economist” like Herman Daly, who advocates for a steady-state economy.

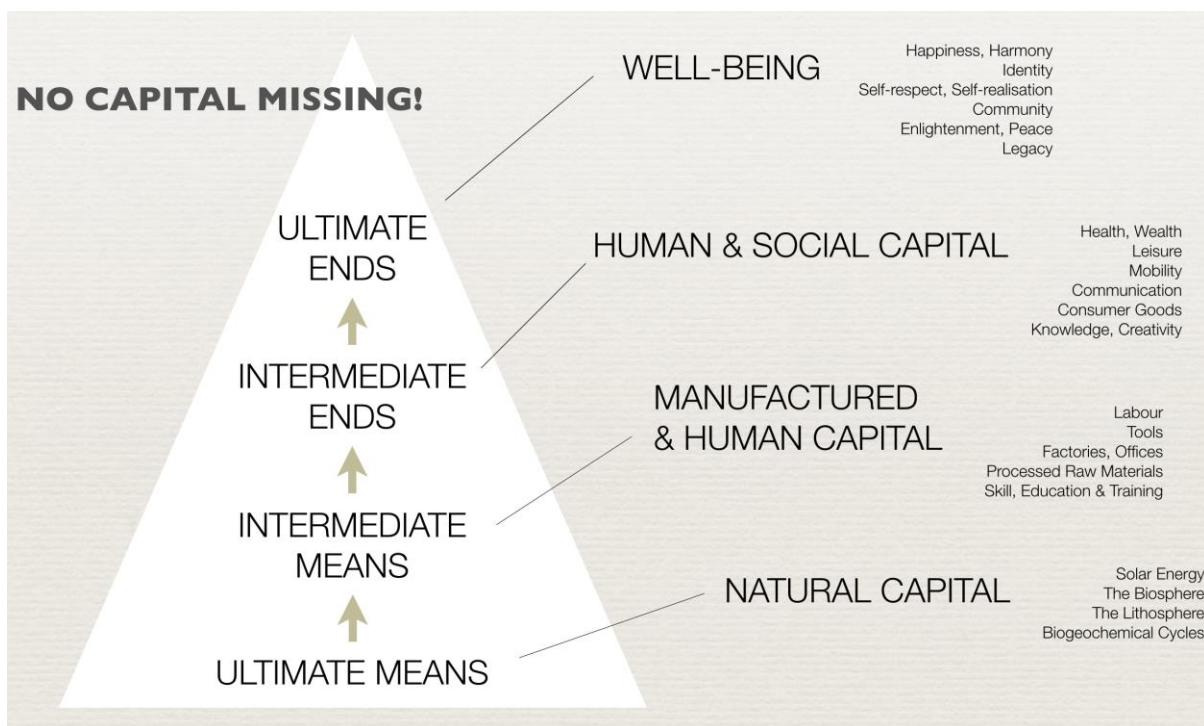
Steve made two interesting recommendations to popular culture, which he recommended everybody to acquaint themselves with. The first one is the TV-series “Mad Men”, which gives an excellent insight in how our present day consumer society came about. The series is set in the 1960s New York City, following the novel marketing strategies of the leading advertisers, which changed societal customs, values and conventions concerning consumerism. The other TV-series is “Walking Dead”, a post-apocalyptic horror television series, where humans awake from a coma discovering a world overrun by zombies. From an environmental point of view, the TV series is interesting because the humans are forced to make a series of existential decisions along the way, just like we are now looking down the barrel of catastrophic climate change. What are we willing to give up to ensure our own survival?!

Steve did a review of the key economic terms and principles, for example, that all money is created out of debt, which means that a continuous growth model is in-built into the system, and continuous growth on a finite planet is impossible! One of Steve’s key points was that the economy cannot be disconnected from natural capital, i.e. from the natural resources. Money is just a counting system, but has no intrinsic value in itself. Hence, the commonly used Triple Bottom Line model, which shows sustainability at the intersection of People, Planet and Profit overlaps, is wrong. Instead, the model should be shown as concentric circles, with the Planet (ecology) underpinning the other two:



The economy cannot be detached from the planetary resources. Hence, the model on the left is wrong. The model on the right makes sense. Slide credit: Steve McCoy

While much government policy is focussed on achieving economic goals like GDP growth, what really matters to the public is to achieve well-being. Yet, no nation, uses the short term and long term well-being as a directly measure to inform policy, except perhaps the tiny nation of Bhutan. Instead, most nations use economic proxy indicators like GDP and economic growth to determine policy. However, as illustrated in the diagram below, the economic system is just a means to an end, and hence, the economic figures numbers should not in themselves be the goal:



Ultimate Means and Ultimate Ends. It is the Natural Capital that underpins everything. Slide credit: Steve McCoy

What the above diagram shows is that the ultimate means and ends are non-negotiable, and what happens in between (intermediate means and ends) is just detail, which can be arranged in many different permutations and combinations, none being right or wrong.

So, what are some of the visions for the future? Steve has the following visions:

1) ***Dismiss nationalism as a useful concept***

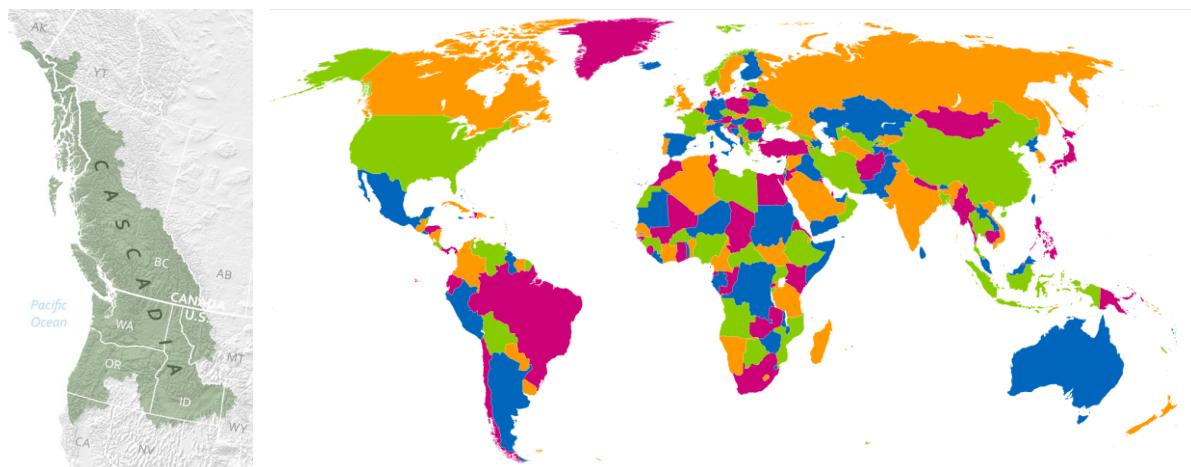
As long as we treat the Earth's resources according to what "belongs to us" and what "belongs to them", it will be impossible to establish sustainable practices and garner support for the concept of the common good.

2) **Create Eco-districts / Bio-regions**

Natural capital is the foundational capital without which none of the other capitals would exist. It therefore makes sense to organise our management-of-capital units in eco-districts that are geographically defined ecological systems. A good example is Cascadia, a bioregion in north-west America that was created with the tacit understanding that it is not possible to have a healthy society and a healthy economy if there is no healthy environment.

3) **Natural Capital and Well-being**

Understand that the ultimate means is Natural Capital and that the ultimate ends is Well-being (happiness, harmony, identity, self-respect, self-realisation, community, enlightenment, peace and legacy).



Geographically delineated bioregions like Cascadia (left) should replace national borders (right), a hindrance to sustainable natural asset management.

With the above clarity and visions, Steve thinks believes it is possible to avoid irreversible catastrophic climate change. If we align ourselves correctly, then it is astonishing what we will be able to do in a short time. But we will not be able to achieve this, unless we are prepared to give up out of date notions, hence Steve's Walking Dead analogy.