

## **Risks of transition enabled by economic orthodoxy**

Francini van Staden<sup>a\*</sup>

<sup>a</sup> *Independent researcher, Cape Town, South Africa*

\*Postal: P O Box 7158, Blanco, 6531, South Africa

E-mail: [aemsresearch@gmail.com](mailto:aemsresearch@gmail.com)

Francini holds a MBA degree and has thirteen years' environmental industry experience. This paper is presented in the authors' private capacity and not linked to an organisation or academic institution.

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The paper places the need for transition towards social and environmental justice within the broader context of economic theory development. Economic functioning is linked positively to environmental and social justice as an enabler of transition through green economy models, which attempt to address multiple social-ecological problems. The concern is however that economic functioning is also linked negatively as a macro cause of environmental degradation and social inequality through dominance of economic orthodoxy – the economic models that imply that economic functioning is independent of ecological limitations and social concerns. There is thus a need for in-depth understanding of the economic functioning that contributed to the current states of injustice and unsustainability, including economic growth, market efficiency and economisation. This understanding is particularly relevant to the uptake of alternative economic models that promote transition but lack new theoretical foundations. This paper raises concern that social-ecological transition that are based on the mechanisms of economic orthodoxy may have foundational risks which work against sustainability and resilience. Alternative ideologies grouped as economic heterodoxy are described as more appropriate to societies in transition as it diversifies from a market economy. An economic model which shows promise is exchange through complementary currencies. Complementary currencies are considered to be well-designed for sustainability and resilience as it lessens economisation of the environment and commodification of social needs and it provides immediate economic alternatives at community level.

Keywords: economic orthodoxy; economic heterodoxy; social-ecological transition; green economy; complementary currencies

## **Introduction**

Ecological, social and economic systems are interconnected and share many characteristics. As a result, there is a close link between the ecological, social and economic crises. Social-ecological transition falls under the umbrella term of social-ecological transformation describing the need to address social and ecological crises (Brand and Wissen 2017) while being dependent on sustainable development (Agyeman et al. 2002). The shared crises among ecological, social and economic systems appears as complex challenges that necessitate the

aligning of the economic system with environmental limits and social equality. However, the most effective alternatives to achieve this is a subject of scrutiny and dispute (Lorek and Spangenberg 2014).

This paper proposes that as part of designing effective alternatives to address social-ecological problems, their causes must be explored from a macro level perspective. Such macro level causes include long and complex social-economic processes such as growth and development, the functioning of the economic system (Brown et al. 2014; Brand 2012) and more specifically, economic orthodoxy (Brand, 2016). To explore the macro level perspective, this paper provides a summary review and critique of economic orthodoxy as the mainstream economic model, followed by an introduction to the leading alternative of the green economy. From this review, the theoretical foundation of the green economy is questioned based on identifiable risks for sustainability and resilience. In outcome, the paper has found alternative ideologies and specifically complementary currencies as applicable to societies in transition.

## **Problem Statement**

The economic system is linked positively to environmental and social justice as an enabler of transition through for example, the green economic theory. At the same time, it is linked negatively to environmental and social justice as a macro level contributor to environmental degradation and social inequality. Which alternative models have corrected the economic system shortfalls and respond appropriately to these macro level failures? This is considered highly relevant to South Africa's developing economy which at national level is characterised by high and worsening social inequality and environmental degradation, yet considered at global level as progressive in green economy.

## **Literature review**

Literature from various disciplines, including social, environmental, and economic were qualitatively analysed. A thematic focus that responds to the problem statement was identified and guided the literature selection. Key search terms included: economic orthodoxy, economic heterodoxy, green economic theory, social-ecological transition, and complementary currency.

## ***Economic orthodoxy***

Economic orthodoxy is the dominant school of economic thought and is currently represented by neoclassical economics (Colander et al. 2004; Dequech 2007). Neoclassical economic theory developed during the late 1800s - a time where natural resources were not considered as limiting to the economy (Spash 1999), in stark contrast with the current day need for resource efficiency and scarcity. The theory today still supports economic growth and development as in its 1800s foundation (Romer 1994; Norgaard 2002). Theory obstacles to contemporary times include the theory's postulation of the economic system is a closed system (Lawson 2005; Georgescu-Roegen 1975) which essentially disconnects the economic system from the social and environmental systems. Central to this paper is what can be described as the theory's lack of provision for economic model diversity, reasoned to be a critical aspect that prevents social and ecological problems from being fully addressed (Arnsperger and Varoufakis 2006). There is an increasing amount of criticism in literature against neoclassical economics as the dominant economic theory, including:

- Price as an allocation mechanism, has historically failed to reflect the full ecological resource impacts (Georgescu-Roegen 1975);
- the basic functioning of the neoclassical model does not recognise the environmental system or its dynamic relations (Norgaard 1985);
- the theory's 'blind faith' in market efficiency leads to social and environmental harms (Goerner et al. 2009);
- the theory considers environmental degradation as an externality (Hallsmith and Lietaer 2011); and
- the theory is not able to respond to wicked problems (Batie 2008).

These criticisms formed the basis of alternative schools of thought such as ecological economic theory and the green growth economic theory.

### ***Green growth theory***

Greening the economy originated from the radical environmentalism of the 1960s (Death 2014) and subsequent 1970s policy debates (Lorek and Spangenberg 2014). The green growth theory was contemporarily applied in the peak of the 2008 financial crisis to stimulate growth in emerging sectors such as renewable energy, land and waste management (Jacobs 2012) and in 2011 it was adopted by the United Nations Environment Programme. Following 'Rio+20' United Nations Summit, several countries adopted green growth as a policy objective to address financial and environmental crises simultaneously (Bina 2013). In the case of South Africa, green economy is promoted towards two key goals: lowering the country's carbon emissions and creating employment opportunities (Musyoki 2012).

While the need to align economic functioning with environmental limits is undisputed and although green growth theory consciously examines patterns and sectors of economic growth, the green growth argument is not universally accepted (Brand 2016; Lorek and Spangenberg 2014; Jacobs 2012). A key concern is that economic orthodoxy has not been adjusted and the theory relies heavily on the orthodox mechanisms of economic growth and market efficiency. This is also evident in South Africa's case; South Africa adopted the green economy discourse as essentially, 'green growth' (Death 2014). Furthermore, criticism in literature identified the green economic dimension as likely inadequate for addressing the complex nature of social-ecological problems (Bina 2013), risking environmental degradation and social inequality to remain unaddressed at macro scale (Brand 2016). A criticism that also leads to alternative ideologies, is the green growth theory's lack of establishing new understandings of wealth (Brand 2016).

In response to this context, economic heterodoxy developed notably since the 1990s and argues for diversity and enhancing of social well-being (Durlauf and Blume 2008) and rejecting of reliance on the market economy. Unlike alternative theories within economic orthodoxy such as ecological economic or green economic theories, heterodox models have different theoretical roots and is an entirely separate school of thought (Durlauf and Blume 2008).

### **Discussion**

Returning to the macro level causes of social-ecological problems, growth and development are considered large scale drivers of social and environmental change worldwide. As the theoretical foundation of growth and development, economic orthodoxy should in fact be the significant focus point. Although alternative economic theories have emerged in an attempt to address the

need for justice and sustainability, its assumptions have to be scrutinised to gain understanding whether they do in fact address justice and sustainability concerns.

A green economy assumption is that social-ecological justice can be achieved through technological innovation and aligning of expenditure with social-ecological needs.

Technological innovation is generally met with optimism; green economy mechanisms are no different. While major political and international development agendas support a green economy, it is important to remain mindful of the worldviews of key actors (politicians, civil servants, key industry or economic agents) as these have an influence on the solutions that are promoted in response to real-world problems (Söderbaum 2006).

The post-2008 financial crisis demonstrated that the green growth mechanism is in fact steering economic growth to a different source of growth, i.e. reducing natural resource dependency. In working towards the upholding of the market economy, the green economy theory appears to fail in demonstrating how it will prevent the macro level causes of social-ecological problems by remaining rooted in economic orthodoxy.

A solution to this dilemma can be found in diversity as a means of dealing with complexity (Söderbaum 2006). In the context described in this paper, heterodox or alternative ideologies can function as the diversity element. A real-world example of diverting from economic orthodoxy may be as simple as a 'complementary currency' – that is a different means of payment that functions alongside conventional and official currency (Lietaer 2004) and towards non-commodified fulfilment of social needs (Kousis and Paschou 2017). Complementary currencies allow communities to structure their own microcosm economy in which the community prescribes the social and environmental values and needs to shape the local economy. The concept of Time Bank hours is one complementary currency adopted in parts of Europe and Asia which connects an immediate need (i.e. need for employment or social needs) with unused local resources (i.e. informal and undervalued work, utilities/services during off-peak times or food resources that would otherwise go to waste). Earning Time Bank hours offers immediate economic and social relief to often marginalised people while strengthening the local social capital. As complementary currencies can only be traded within the local community, it maintains currency within the community and prevents the outflow of money from poor to rich. The significance for a diversified economy is that complementary currencies can lessen burden of economic growth during times of economic downturn or crises or downturn, while strengthening social resilience. It holds the potential to function as a special purpose currency that can stimulate environmental sustainability through local production and sustainable consumption, reduced ecological footprints, and shared use of utilities and resources. It appears that complementary currencies hold potential to connect transition, sustainability and resilience at various scale – from the small local scale to the larger system scale by strengthening community resilience and decoupling economic function from economic orthodoxy causes of social inequality and environmental degradation.

## **Conclusion and Recommendations**

This paper explored the mainstream or orthodox economic system's role in social inequality and ecological degradation from a theoretical perspective. From this basis, the paper described the recent thinking of economic heterodoxy, and why it appears more appropriate to societies in transition than the leading alternative of green growth which has not diverted from orthodox theory. Complementary currencies, as an example of economic heterodoxy in practice, have the design benefit of buffering societies against the macro scale economic drivers of social-ecological impacts. The outcome of this paper is that alternatives that have corrected the

economic system's social and environmental failures appear most appropriate to social-ecological transition and that alternatives that remain within economic orthodoxy, place transition at risk. For in-depth understanding and conclusive indicators, further research is needed to describe the social-ecological contribution of the alternatives over the long-term and in the context of social-ecological challenges.

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