

A Sustainable Economy for London

:

Preliminary considerations for a vision

June 2009

1 Preamble – Purpose & Status of this Document

The purpose of this document is to provide the basis for a discussion about the economic assumptions underpinning the London Plan. It is emphatically a discussion paper, intended to prompt and provoke debate during the Plan's consultation phases.

The document is intended to be 'open source', evolving in the light of discussion. Successive drafts will, it is hoped, be 'owned' by a progressively wider community of interests. This current draft has been prepared by David Fell of Brook Lyndhurst, with support and contributions from Michael Edwards (Senior Lecturer in the economics of planning, Bartlett School of Planning, UCL), Jenny Bates (Friends of the Earth), Richard Lee (Just Space Network), Richard Bourn (Campaign for Better Transport) and Darren Johnson (Green Party Assembly Member).

In this current draft, incomplete references and areas where further analysis is especially required appear in square brackets [].

Following this Preamble, "Introduction & Background" sets the scene; "The Critique" itemises a series of challenges that need to be addressed; "Implications for London" highlights a series of factors that would need to be addressed in a 'vision' for a sustainable London; while 'Summary & Closing Remarks' introduces such a vision in summary form.

2 Introduction & Background

The assumptions underpinning the management of London's economy, particularly in the past decade, have been:

- that London's population will grow rapidly
- that London will be, or aspire to be, 'the business capital of the world'
- that its economy will continue to be dominated by the performance of the internationalised financial, business and media services sectors
- that economic growth will be strong, and driven largely by growth in business services¹
- that economic growth should to be accommodated primarily in central parts of the city, largely by (a) increasing the provision of office space in central areas and (b) ensuring transport infrastructure enables large numbers of people to access employment opportunities in central areas

¹ The assumption in the previous London Plan was that whilst *output* growth would be strong in the financial services sector, the majority of *employment* growth would be in the business services sector (i.e. legal activities, management consultancy, accountancy, advertising, market research, real estate etc) much of which depends for its performance on the financial services sector.

- that negative social or environmental effects arising from this economic structure and performance (in terms of e.g. low wages, poverty, exclusion, climate change) will be addressed through a series of secondary mechanisms (e.g. training programmes, awareness raising campaigns etc)

There have long been reasons to challenge this approach. Economic events of the past couple of years – the credit crunch and the subsequent recession – and the ever-more-pressing challenge of climate change give renewed cause to question these assumptions.

Questioning of the assumptions that have underpinned broad macro-economic policy for the past thirty years has already been taking place at the national and international level. The revival of Keynesian thinking among economists and policy makers, for example, has led to the notion of 'fiscal stimulus' as a primary mechanism for enabling the world and national economies to recover from the present recession.

Simultaneously, governments around the world have been working to address the challenges posed by climate change. The imminence of the Copenhagen conference (to devise a successor to the Kyoto protocol) and the change of administration in the US have given considerable impetus to this issue.

In acknowledgement of the scale of the challenge posed by climate change, there has been much talk of a 'green fiscal stimulus' as an integral part of this argument. Most major economies around the world have an explicit 'green' component to the stimulus packages already announced².

In addition to the propositions directly associated with the credit crunch/recession, in the UK there has been a series of government publications in recent years that have been concerned with the promotion of sustainable development and the development of a 'low carbon economy'³.

These packages and policies, though welcome (and, in some cases, impressive), generally suffer from three key weaknesses:

- they generally concentrate on energy systems (new infrastructure, R&D, energy efficiency programmes etc) with a view to reducing carbon dioxide emissions, rather than sustainability more broadly;
- they tend not to set out a vision of what a low carbon (or more sustainable) economy might actually look like [in the medium and longer term];
- they are international or national in scale, with little or no detail on the possible implications at city, regional or local level.

The revisions to the London Plan provide an opportunity to address these weaknesses; and to consider what the economy of truly sustainable world city might look like in practice.

This paper sketches the possible parameters of a vision for such an economy.

² See HSBC's "More Green Money on the Table", March 2009, for estimates of the size of the 'green' component of various countries' announced stimulus packages

³ See e.g. "Securing the Future: The UK Government's Sustainable Development Strategy" (2005), "Low Carbon Industrial Strategy", BERR, (2009), "Building a Low Carbon Economy: Unlocking Innovation and Skills", Defra (2007)

3 The Critique

A critique of the present London economy can be conducted at two levels:

- in terms of its present weaknesses and the negative aspects and effects of its performance;
- in terms of the kinds of changes that might be implied by recent analyses of the credit crunch/climate change challenge.

In terms of the first of these, notable issues include⁴:

- high levels of worklessness (particularly among women)
- multiple barriers to accessing work
- high numbers of residents with low skills and/or on low wages
- many forms of employment are 'undervalued' (in terms of both esteem and wages)
- high levels of child poverty⁵
- high levels of stress and stress-related ill-health
- economic considerations prevailing over more general quality of life
- excessive dependence on a narrow economic base⁶
- continuing discrimination on the grounds of ethnicity or faith
- chronic dependence on excess and conspicuous consumption
- long commuting and travel times
- expensive housing (leading to homelessness and over-crowding)
- high CO₂ emissions⁷
- low levels of energy efficiency in the built environment

Together, these issues tell a story in (at least) two parts: that London's economy is not working on behalf of all Londoners; and it is not working in terms of the global environment.

Turning to the second level of critique, a series of recent contributions have spelt out the depth of the future challenge⁸:

- **Green New Deal** – from a coalition including Caroline Lucas (Green Party), Andrew Simms (nef), Charles Secrett, Larry Elliot and Tony Juniper, a detailed proposition for a green stimulus package echoing Roosevelt's New Deal package of the 1930s

⁴ Data for the majority of these issues is presented in the GLA/LDA's own "Preliminary Economic Evidence Base for GLA Group Strategy Documents", May 2009; but see also e.g. "The Collaborative City", Young Foundation/London Collaborative (2009), "The Mayor's Climate Change Action Plan", GLA (2007), "Healthy, Wealthy & Wise", TCPA/Fell (2006)

⁵ Juxtaposed with extreme wealth – and as Marmot ("Status Syndrome") has shown, the impacts of relative wealth are severe for both physical and psychological well-being

⁶ Although the financial and business services sector has generated many thousands of jobs and many billions of pounds for the Exchequer, it – arguably - distorts labour markets, squeezes out alternative economic activity and may reduce the overall resilience of the city [in much the same way that in previous waves of economic transformation, coal-mining areas or steel-making cities were exposed as overly reliant on a single industry]

⁷ Both directly and, through imports of virtually all consumables, indirectly

⁸ This is, inevitably, a partial list, and exclusion from it is not intended to signify that any particular author has not made a useful contribution. Figures such as Amartya Sen, Richard Sennett, Paul Ekins, Tim Cooper and others could all reasonably appear in a more fully-developed version of this paper.

- **Green Alliance** – a series of contributions, from individuals such as Sir Martin Rees (Astronomer Royal), Professor Paul Ekins, Ed Mayo and Stephen Hale arguing that the risks of catastrophic climate change are now so severe that radical policies and politics are required
- **Professor Anthony Giddens** – whose new book “The Politics of Climate Change” argues that existing political institutions are fundamentally ill-equipped to manage the scale of the challenges we face
- **Professor Herman Daly** – who along with other ecological economists (Schumacher, Hamilton, Club of Rome etc) has been making the case for several years that environmental limits and social justice must be inextricably linked.
- **Professor Richard Wilkinson** – who, alongside voices such as Marmot [et al], has been showing how systemic inequality chronically undermines human well-being across society as a whole.
- **Professor Richard Layard** – who, amongst others, has been making the case that ‘happiness’ [or well-being or some other non-monetary indicator] should be positioned at the centre of economic policy
- **Lord Stern** – who has followed up his ground-breaking “The Economics of Climate Change” with “A Blueprint for a Safer Planet: How to Manage Climate Change and Create a New Era of Progress and Prosperity”
- **Professor Tim Jackson** – whose publication “Prosperity without Growth: The Transition to a Sustainable Economy” for the UK government’s Sustainable Development Commission sets out the requirements of a new ‘macro-economics for sustainability’

Each of these makes a distinctive and important contribution: and (broadly) there is a spectrum from arguments (e.g. Stern) that the basic structure of capitalism can be left in place, although profound institutional changes are required to make it work within the earth’s environmental limits; to arguments (e.g. Jackson) that entirely new ways of conceptualising ‘prosperity’ are required. Despite the range of views, key themes are:

- that profound changes are required in patterns of both energy production and consumption if catastrophic climate change is to be averted;
- that the consumerist economic model that has dominated the post war period is unsustainable, in both environmental and social terms;
- that the debt-based underpinning of the consumerist model is, in turn, unsustainable;
- that issues of human welfare – whether couched in terms of well-being, or health, or happiness or flourishing or justice or equality or ‘enoughness’⁹ – need to be integral parts of a long-term, post-crunch solution.

⁹ See “The Economics of Enough”, Fell, forthcoming

4 The Implications for London

The implications for London of this kind of analysis are, in turn, profound. Although good efforts have been made in recent years to ameliorate the worst effects of the system-as-was [cf Climate Change Strategy, promotion of renewable energy, promotion of equalities etc], the approach has essentially followed a 'decoupling' strategy i.e. preserving the basic structure of the economy whilst attempting to ameliorate its 'downsides' (or 'externalities').

The scale of reform needed depends, in large part, on the extent of the depth of the critique adopted. [A 'Stern' level reform would not go as far as a 'Jackson' reform, for example.] There is no doubt, too, that reforms that may be necessary for the longer term may seem too radical in the shorter term.

Nevertheless, it is possible to sketch out a series of headings and/or propositions through which a more sustainable London economy would need to be articulated^{10,11}:

- **the whole economy** - a sustainable London economy implies not simply the growth of 'green businesses', but the transformation of 'mainstream' businesses and other economic institutions; it needs to be deep, not merely an 'add on'. "Green collar jobs"¹² are only part of the picture; ALL jobs need to be greener.
- **population** - London's future population will be the outcome of a series of large *gross* changes that lead to a particular *net* effect. Relative rates of in-movement and out-movement, and of birth-rates and death-rates, have all fluctuated considerably over the past forty or fifty years. Looking forward, it is perfectly conceivable, for example, that a sustained period of recession in the UK could lead to a sustained period of net outward-migration from London (through both reduced in-migration and increased out-migration) culminating in significantly lower population in 2031 than is currently projected. *Ex ante* there would appear to be no particular level of London's population that is more or less sustainable than any other: but a more sustainable *approach* to London's population would acknowledge (a) that there should at least be a consideration of the environmental costs and benefits of population growth [e.g. in terms of water stress, building on flood plains, the carbon efficiency of density etc]; and (b) that there are policy options available (e.g. national spatial planning, de-centralisation of economic activity) that could be used to influence demographic change.
- **health** - physical and psychological well-being should be a paramount concern of economic policy - economic activity (and types of job) that promotes well-being, decent wages and decent working conditions should be prioritised over 'growth for growth's sake'. 'Better jobs' are preferable to simply 'more jobs'.
- **local #1** - there is no reason in principle why economic activity should be concentrated in the centre of the city. Although agglomeration effects tend to attract business to locate near similar businesses, there may be advantages - lower rents, reduced travel, higher quality of life - that could be achieved through a more dispersed pattern.

¹⁰ The word "sustainable" remains problematic, particularly in the London context. For the purposes of this paper it is taken to mean (roughly) an economy that is functioning so as to deliver human well-being and justice without compromising environmental limits or the well-being of future generations.

¹¹ The following list is non-exhaustive; and the sequence is not intended to indicate priority. A 'sustainable city' is a holistic concept whereas this document is unavoidably linear.

¹² Thus, the recent "Prospectus for London: the low carbon economy" from Ernst & Young for the GLA (2009) is a welcome but incomplete analysis.

- **local #2** – ‘sustainable communities’ function at a local-level¹³: a more sustainable London economy would therefore comprise a network of more sustainable local economies.
- **travel** – a more dispersed pattern of employment could enable individuals better to balance how they spend their time. Part-time employment, for example, typically requires lower travel times, so many people are excluded from central London employment opportunities; while those that work in central London experience stress in attempting to achieve ‘work-life balance’¹⁴. Reducing the dependence on the car, particularly in outer London, by reducing the need to travel (through, amongst other things, the re-distribution not only of employment opportunities but also services such as retail, leisure and care/support services) would have both environmental and well-being benefits.
- **formal/informal economy** – greater attention needs to be given to the full range of activities undertaken by Londoners in support of the economy. The ‘core’ economy [Coote et al for nef, 2009] comprising domestic and care provision is an important and legitimate part of a sustainable economy and needs to be respected, valued and supported as such.
- **supply and demand** – an economy is a dynamic system in which supply and demand co-evolve together. Simply encouraging businesses (or local authorities, or NGOs or government departments) to make ‘greener’ products and services available will not work if consumers do not actually *want* those goods and services. There is a clear role for an active engagement with Londoners to foster and promote more sustainable lifestyles and choices – to enable the ‘demand side’ to play a full part.
- **sectors** – it would be both unwise and unsustainable to rely on London’s financial services sector as the ‘engine of growth’ in the future. Each of London’s sectors needs to be assessed for its ability to contribute to a more sustainable economy. Detailed work on this proposition would undoubtedly be required, but provisional considerations for just a selection of sectors are:
 - *manufacturing* – dominant manufacturing sub-sectors are printing & publishing, and food. For the former, standards set by e.g. Beacon Press should be bare minima for the industry [to be achieved e.g. through procurement strategies]; for the latter, local sourcing should be ‘normal’ [see e.g. London Food Strategy] and linked to burgeoning market garden/allotments.
 - *food* – progress is already being made to revitalise the notion that food can be grown in London. The possibilities for the deployment of the capital’s extensive green spaces for localised food production – which would have a range of sustainability benefits in social, environmental and economic terms – are considerable.
 - *higher education* – London has a remarkable concentration of world-leading academic institutions with a focus on environment and sustainability – this has the potential to form the core of a ‘green knowledge economy’ that could have significant benefits in the medium and longer term.
 - *utilities* – there is no doubt that, in the shorter term [the next 2/3/4 years] the main opportunities for ‘green collar jobs’ [arising from any ‘green stimulus’] will probably arise in the utilities sector – upgrading infrastructure, installing low carbon technologies in existing buildings, auditing & upgrading the housing stock etc. It is important to note,

¹³ The study of social networks and social capital both suggest that people ‘connect’ at local level, and that this connection can be instrumental in fostering well-being

¹⁴ Leading US psychologist Jonathan Haidt suggests that the single thing that most people could do in the developed economies to improve their quality of life is to stop commuting

however, that many of these 'new' jobs may be taken by individuals already employed in the sector [who will re-train, or simply be using a new technology rather than an old one] and the net impact may be negligible.

- *retail* – promotion of a more resilient, dispersed and localised London economy [or, more accurately, a network of sustainable local economies that together comprise the London economy] will mean more support for local retail centres and local markets [street markets, farmers' markets etc]. These reduce the need to travel, encourage local 'reconnection' within the food chain, facilitate the development of start-up and micro-enterprises etc. 'Low carbon retailing' [in terms of both buildings (see e.g. Tesco's new store in Manchester) and in terms of product ranges (cf carbon labelling, sustainable clothing) could be encouraged through e.g. planning regulations, business rates, economic development partnerships etc]
- *public sector* – the power of the public sector as an employer, and as a procurer of goods and services, to shape local economic circumstances is already acknowledged [see e.g. sustainable procurement strategies]. Implementation, however, remains patchy at best. A great deal more should be done [see e.g. Leicester City Council] to source locally, from enterprises that pursue environmental and social as well as economic objectives. Procurement offers the means of initiating virtuous cycles, in which increased demand leads to an increase in the ability of London enterprises to meet that demand; increased supply will reduce costs, thus further enabling the public sector [and other customers] to make 'green' choices; and so on.
- *financial services* – London will remain a global centre for financial services for many years; and efforts need to be made to accelerate the development of carbon trading expertise, ethical investment and new financial models to support a more sustainable and resilient economy at city level, and nationally/internationally.
- *business services* – there may be huge potential for the development of business services geared towards a sustainable economy - environmental law, green advertising, socially responsible marketing, green built environment professions, eco-accounting, sustainable consultancy...
- **forms of ownership** – sustainability and resilience could both be augmented by more pluralistic ownership models: social enterprises, community trusts and CICs need to be supported and encouraged.
- **governance** – an economy that is functioning in a manner better intended to meet human need will need to be more fully accountable to citizens. New and/or revitalised forms of governance [operating at local level in particular; and potentially linked to new forms of ownership] will need to be developed and encouraged.
- **waste & resources** – resource efficiency will be a vital part of a sustainable London, with jobs in repair and re-use, and in recycling and waste management; but with the need to ensure that all enterprises are being ever more efficient in their use of (in particular) natural resources.
- **distributed energy** – energy production at the ultra-local level could be an integral part of a more secure and resilient energy system; would act as a means of re-engaging citizens with the consequences of energy consumption; and could also be an instrumental part of developing sustainable local economies more generally (i.e. they have the potential to play an even greater role than simply the reduction of CO₂ emissions).

- **skills** – it will become important for ‘green skills’ to permeate the entire economy, to cope with the utilisation of new green technologies [many ‘green’ buildings fail to live up to their promise on paper because they are not ‘used properly’], to implement low-carbon solutions, to adapt to climate change and so forth.
- **housing** – it is a commonplace to acknowledge that the majority of housing that will exist in 2050 already exists in the capital: the requirement for effective retrofit solutions, that work for both householders and enterprises working in the built environment sector, remains a high priority [cf both mitigation and adaptation].
- **entrepreneurship** – London is and will remain a leading centre of innovation and entrepreneurship. It must support and encourage ‘green entrepreneurs’, from green design [links to media and green knowledge sectors] to green taxi companies to ethical retailers and so on.
- **HQ & leadership** – London is the HQ location of choice for a great number of companies, and their often global leadership emanates from the capital. By vigorously engaging leading businesses in the development of a genuinely sustainable city, the possibility exists of having impacts on a truly global scale [links also, for example, to the need for leading companies to recruit and retain high calibre staff, among whom environmental/social/ethical issues are becoming ever more significant in their career choices].
- **inward investment** – London is a global city with extraordinary ‘presence’ and a vast and accessible market: enterprises want to be in London. Encouraging and attempting to attract enterprises with values that are consistent with the broader ambition of a sustainable city should be central: ‘assistance’ should only be available to companies that meet minimum environmental and social standards, for example.

5 Summary & Closing Remarks

The horizon for the new London Plan is 2031. A vision for that time is thus equivalent to attempting to imagine 2009 from the perspective of 1987; or trying to imagine 1987 in 1965.

Perhaps the central question in any long-run visioning exercise is of the form: will the long-run trends of the past thirty or forty years re-assert themselves after the current short-term issues have been resolved; or do current issues or concerns suggest that a fundamental change of trend will come about?

The assertion in this paper is that the nature and extent of the present recession; the scale of the climate change challenge; and the deep-rooted inequalities and injustices embedded in the London economy together provide impetus, opportunity and requirement for a break with the past.

Over the period to 2050, it seems unavoidable that significant transformations in the operation of western economies will have to take place. The ‘low carbon’ future is unlikely to be achieved simply by ‘de-coupling’¹⁵.

As a leading world city, London has both a responsibility and an opportunity to ‘set the tone’ for how this transformation can be achieved.

¹⁵ ‘De-coupling’ is the process of disconnecting economic growth from negative environmental impacts and currently underpins both OECD and EU sustainability strategy – see e.g. OECD Environment Programme “Indicators to Measure Decoupling of Environmental Pressure from Economic Growth”, or European Parliament and the Council of the European Union (2008) Directive 2008/98/EC

Of course, neither the London Plan nor the wider suite of GLA strategies and policies can single-handedly deliver an alternative vision for London: there are innumerable global, national, institutional and individual forces and choices involved. But it is uniquely positioned to 'set the tone'.

A great deal more work will be required to explore, test, expand upon and refine the propositions in this paper, but the over-arching elements of a vision are:

- The 'economy' needs to be conceptualised and managed in terms of its ability to deliver human well-being in a just fashion that respects environmental limits; the London economy of 2031 will need to be much more about quality rather than quantity.
- A more resilient and sustainable London requires more economic diversity, in both spatial and sectoral terms: in 2031 the financial services sector – which will have been in the vanguard of developing the financial instruments necessary for a low carbon economy – will be a smaller share of the London economy than it is today; and the capital's many local economies will be flourishing.
- A more sustainable London economy is not simply one with a selection of 'green collar jobs'; it will mean a greening of the entire economy and the integration of economic, social and environmental performance into the organisational DNA of numerous enterprises.
- A more sustainable London economy will be characterised by improved access to employment opportunities; reduced wage inequalities; changes in working patterns better to enable well-being; and reduced need to travel.
- The low carbon¹⁶ London of 2031 will mean reform on both the supply and demand sides. Engaging with Londoners, from the bottom up, to encourage and enable them to make more sustainable choices will be at least as important, if not more so, than 'top down' solutions.
- The transition to 2031 will require the active engagement of all Londoners and all London's institutions. Appropriate regulatory, governance and empowerment procedures will be central to this endeavour.
- Quality of life in London in 2031 will be demonstrably higher, and inequalities lower. 'Value' will not be measured simply in financial terms, but will encompass wider 'values'. Pathologically conspicuous consumption will no longer be the dominant mechanism by which people meet their need for status and esteem, and personal and social satisfaction.
- London already has one of the world's leading knowledge-based economies: it should build on its expertise and experience and by 2031 will be the world's leading 'green knowledge economy'.

It has been argued that the transition to the kind of economy we shall need by 2050 is a story in three chapters¹⁷. In the first chapter, the story needs to persuade us that the challenges we face and the problems we have inherited are sufficiently serious to warrant action. We need to be persuaded that the present is not good enough.

¹⁶ The phrase 'low carbon' is, like sustainability, somewhat problematic. Here it is taken to mean a level of per capita carbon emissions, across the entire consumption chain, that is consistent with a stable global environment.

¹⁷ I am grateful to Dr Robin Stott for introducing me to this image.

The third chapter in the story is a description of the world in 2050 that is sufficiently attractive to persuade us to want to get there. We need to believe that having 'enough' rather than 'more' will be good for us, good for our communities, good for our children and good for the planet.

The second and hardest chapter is the story of how we get from here to there. The London Plan is part of that chapter; and it is hoped that this discussion paper helps the story to be written.

DF 29/6/09