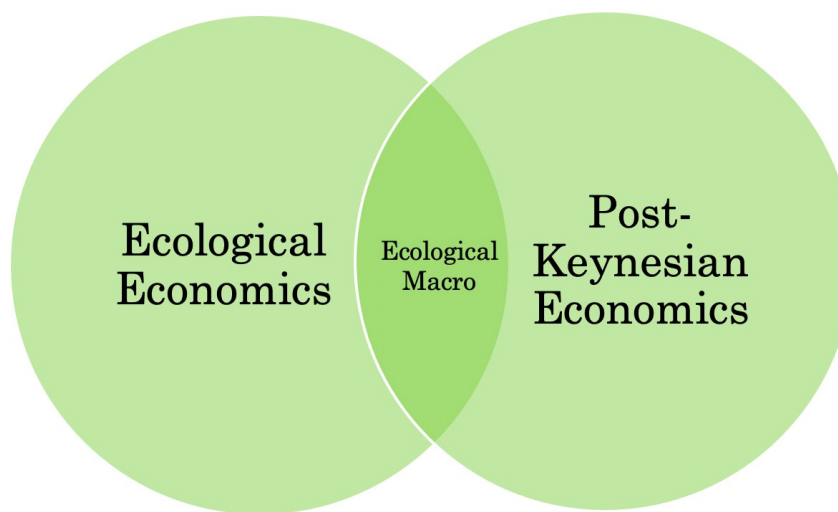


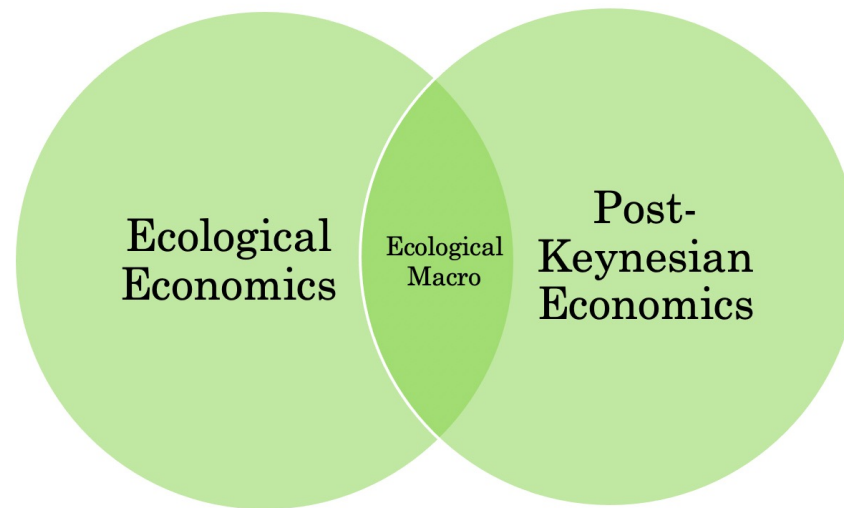
# The role of labor in a socio-ecological transition: Reconciling PK and EE theories on labor

Birte Strunk, Stefan Ederer, Armon Rezai

September 24, 2021



# PRELIMINARY REMARKS: GETTING THE PROBLEM RIGHT



What is Degrowth?

# DEGROWTH

IS NOT

negative growth in a growth paradigm,

BUT

aims at liberating economies, societies, and planet Earth from the ecologically destructive growth imperative.



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a radical re-evaluation of what actually contributes to one's well-being.



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an attempt to solve a systemic crisis on an individual level,

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aims at liberating economies, societies, and planet Earth from the ecologically destructive growth imperative.

an inter- and transdisciplinary call for a socio-ecological transformation.

affects certain sectors and world regions more than others.

a radical re-evaluation of what actually contributes to one's well-being.

a (re-)politicisation of the ecological that focuses on political economy and political ecology analyses of interlinked structures of oppression.



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## IS NOT

negative growth in a growth paradigm,

a purely economic concept,

an all-encompassing reduction of material throughput,

joyless renunciation

an attempt to solve a systemic crisis on an individual level,

oriented towards exchange logic or market justice,

## BUT

aims at liberating economies, societies, and planet Earth from the ecologically destructive growth imperative.

an inter- and transdisciplinary call for a socio-ecological transformation.

affects certain sectors and world regions more than others.

a radical re-evaluation of what actually contributes to one's well-being.

a (re-)politicisation of the ecological that focuses on political economy and political ecology analyses of interlinked structures of oppression.

focuses on questions of inter- and intragenerational justice

# WHAT IS DEGROWTH?

- Demaria et al (2013): four strategies
  - Oppositional activism
  - Building alternatives
  - **Reformism**
  - Research
- Reformism – policy proposals for staying within planetary boundaries while ensuring decent living standards for all

# DEGROWTH – POLICIES

- Cosme et al (2017): Screening >90 peer-reviewed articles with policy proposals. Policies with 3 goals:
  - Reduce environmental impact of human activities
  - Redistribute income and wealth both within and between countries
  - Promote the transition from a materialistic to a convivial and participatory society

Table 3) Goal 3: Promote the **transition** from a materialistic to a convivial and participatory society

*Types of activities are denoted by R (regulate), T (taxation), I (invest/fund), and U (unclear)*

Topic	Degrowth proposal	# cited	Type
Community building, education and value change	Create funds to finance low economic cost, high welfare public investments	2	I
	Introduce and incentivise education on ecological/social limits	2	I
Democracy and participation	Create caps on political and electoral spending to allow equal participation chances	1	R
	Promote regeneration of fundamental democratic institutions to incorporate degrowth-related spatial, temporal, and values dimensions	2	U
Free time	Reduce working hours	21	U
Voluntary simplicity and downshifting	Devise new measures to track improvements in social welfare	2	R, I (in Research)

Table 4) List of the top-down policies with more than 5 mentions according to Cosme et al. (2017)

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	Promote organic farming/sustainable agriculture	5	I?
	Put caps on resource use and extraction (and CO2) (tradable or non-tradable)	7 (11 incl. CO2)	R, T
	Reduce energy consumption	11	U
	Reduce material consumption	12	U
	Tax resource use	6	T
	Invest in more renewable energy	6	I
	Create incentives for local production and consumption	11	R?
Goal 2: Social Justice	Create a basic/citizen's income	14	R, I
	Improve social security and investment in public goods to guarantee equal access to goods & services	10	I
	Promote the recognition & management of common goods	5	U
	Promote a fair redistribution of resources through redistributive policies of income and capital assets	17	R
	Implement redistributive taxation schemes	8	T
	Promote the shift of costs from labour to capital	5	R?, T?
	Encourage the reform of corporate charters and promote new ownership patterns	10	R?
	Create salary caps	11	R
	Promote work-sharing and job-sharing	15	R?
Goal 3: Transformation	Reduce working hours	21	U

# DEGROWTH – POLICIES

- Tim Parrique (2020): The Political Economy of Degrowth – Part III ‘Recipes for Degrowth’
  - Transforming property
  - Transforming work
  - Transforming money
- Kallis et al (2020): The case for degrowth
  - Green New Deal without growth (see also Mastini, Kallis & Hickel 2020)
  - Universal income and services
  - Policies to reclaim the commons
  - Working hours reduction
  - Public finance that supports the first 4

## PRELIMINARY REMARKS: GETTING THE PROBLEM RIGHT

Technically, the problem is not “What happens to our macroeconomy if we have zero or negative growth?” or “How can we have zero growth?”

The problem is much more complex:

- The basic problem is of course: “How can we ensure human well-being within planetary boundaries?”
- Following the science, staying within planetary boundaries is not likely under a market-based growth regime because, due to rebound effects, rates of decoupling and dematerialization are way too slow (Hickel & Kallis 2019; Vadén et al, 2020; Schandl et al, 2016; Ward et al 2016; Haberl et al 2020)
- But, if we *were* to implement very strict, carbon budget-compatible regulations and limits, or even just (effective!) market-based mechanisms, this would likely have *adverse effects* on economic growth and well-being in the short-run
- So: How do we avoid these adverse effects?

## PRELIMINARY REMARKS: GETTING THE PROBLEM RIGHT

So: How do we avoid these adverse effects?

- To make *effective* climate policy politically feasible at all, we need to show how it can be done in a way that does not deteriorate living standards, increase inequalities, lead to recession dynamics
- Ecological economists have a lot of ideas on policies, but are not strong on macroeconomics and potentially unintended effects from certain policies due to macroeconomic feedback effects
  - e.g. see Beth's paper on the risks of rent-seeking in a resource-constraint future (Stratford, 2020)
- That's why they need macroeconomic frameworks to evaluate these policies (and ideally, these frameworks should be convincing, i.e. PK rather than neoclassical ones)

# POST-KEYNESIAN AND ECOLOGICAL ECONOMICS

Our argument: PK models are limited in their contribution to Ecological (Macro-)Economics if they do not complement the predominant demand-side view of labor markets with Post-Keynesian perspectives on *labor supply*.

In other words: Post-Keynesian Ecological Macroeconomists should think about labor.

- EE: Why labor matters
- PK: The Post-Keynesian labor “market”
  - 3 Building Blocks & 4 Principles
- Conceptual integration of PK & EE
- Conclusion





# Ecological Econ: Why labor matters

# EE: WHY LABOR MATTERS

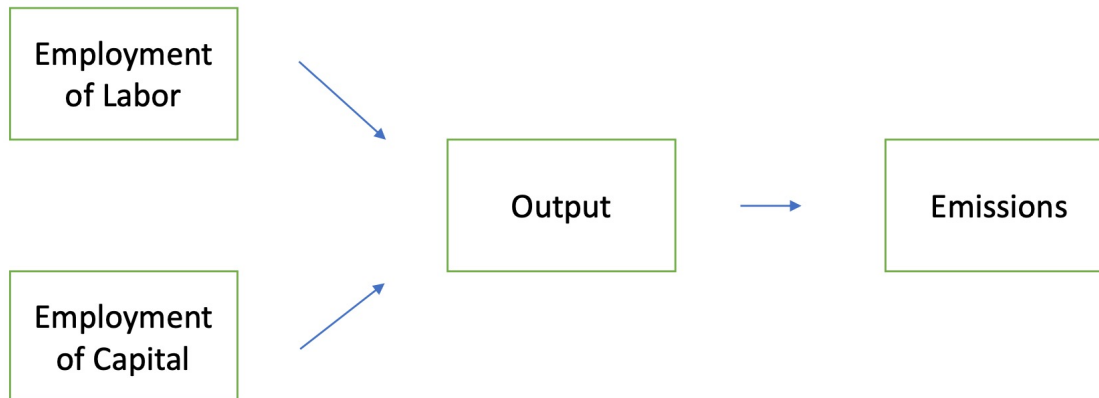
- Ecological economists treat labor as a policy variable, some treat labor policies even as “the single silver bullet” (Weiss and Cattaneo, 2017, p.227)
- Jackson & Victor (2011):

$$e = \frac{GDP}{P_L * h}$$

- Policy prescriptions: WTR or shifts to low-productivity sectors
- But: Labor conceptualized as a supply issue?

# EE: WHY LABOR MATTERS

Scale effect argument: if people work less, then less is produced, then the overall output will decrease, and emissions will decrease



Knight, Rosa, Schor (2013, p.694):

*“At the macro-structural level, high or rising work hours create what we call a scale (i.e., size of the economy) effect —more work generates greater economic output, income, and consumption. Ceteris paribus, if more work generates more output and uses more resources, then a reduction in work hours could lead to substantial environmental gains”*

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# The Post-Keynesian “Labor Market”

# PK ON LABOR MARKETS

“[T]here is no specific post-Keynesian view of the microeconomics of labour markets”

(Lavoie, 2014, p. 277)

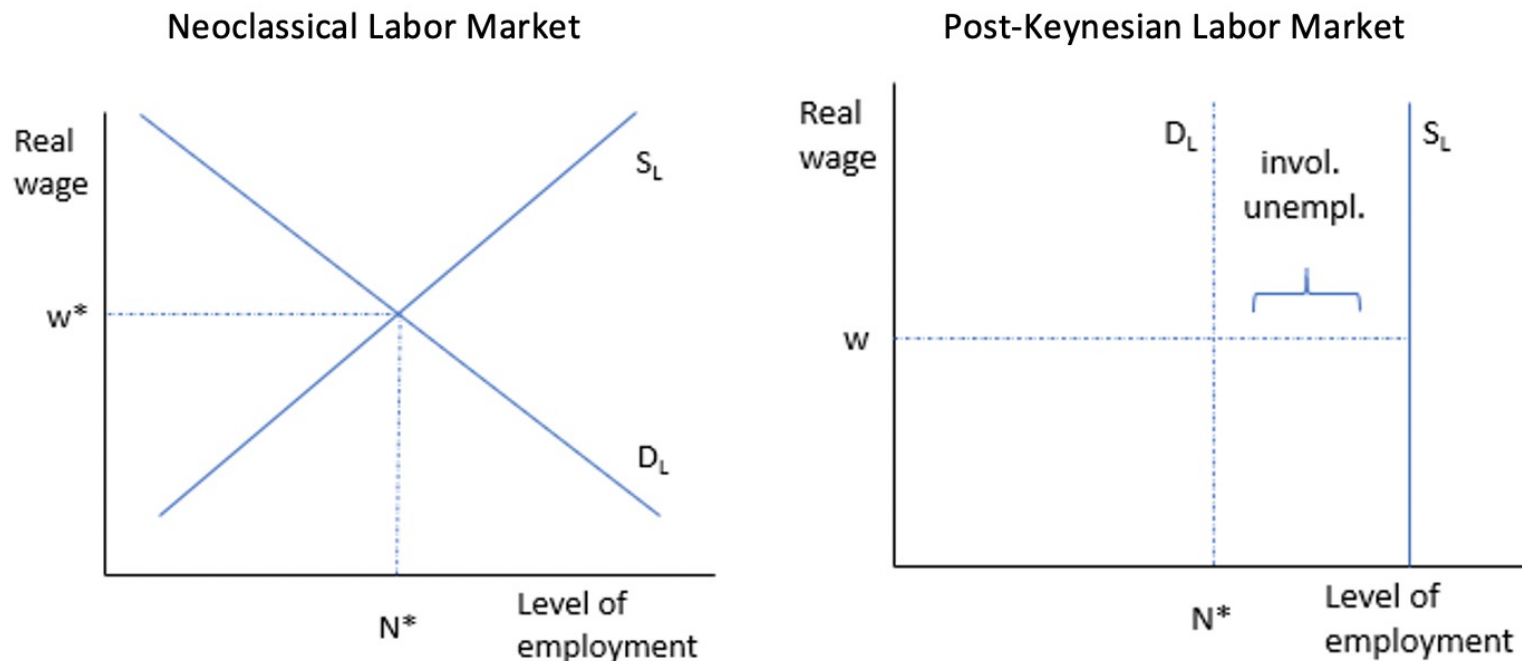


Figure 1: Simplified comparison of a basic neoclassical and post-Keynesian labor market. Own depiction.

# BUILDING BLOCKS

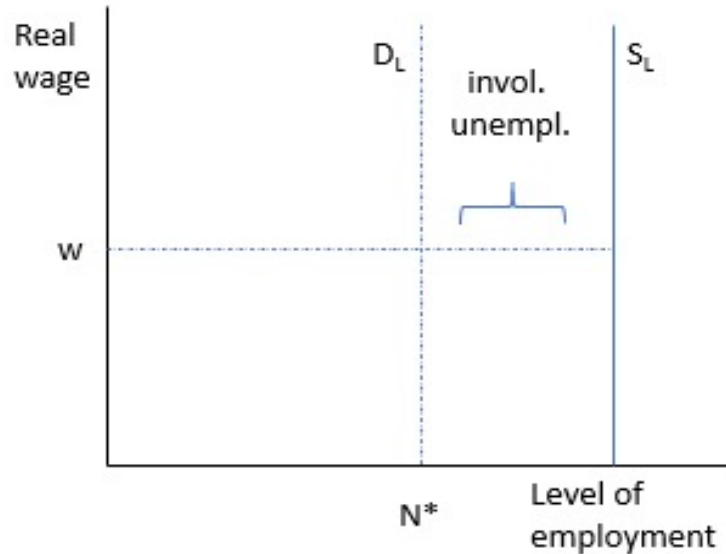
- Demand
- Supply
- Demand-Supply Interactions

*Table 1: Elements and principles of a Post-Keynesian labor theory*

Elements	Principles
Determination of labor demand	P1: Principle of Involuntary Unemployment from Lack of Effective Demand
Determination of labor supply	P2: Principle of (Vital or Social) Necessity to Work
Demand-supply interactions	P3: Principle of Hobbesian Production P4: Principle of Mediating Policies

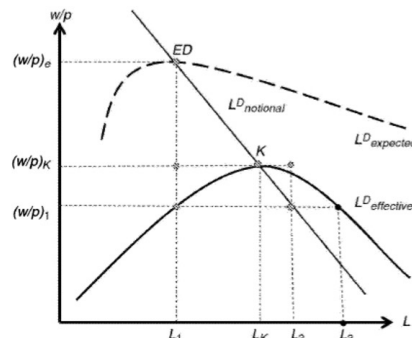


# A) DEMAND

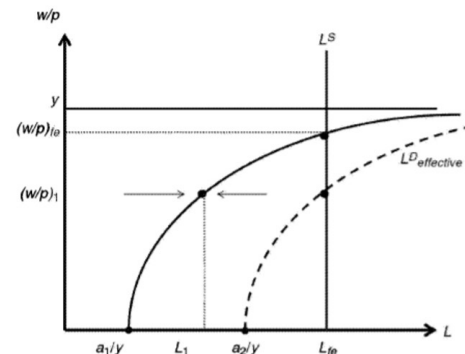


Principle 1: Aggregate Demand Accounts for Involuntary Unemployment

Employment outcomes as a *residual*



5.1 The notional and the effective labour demand curves, and the point of effective demand in the Marshallian post-Keynesian model of employment

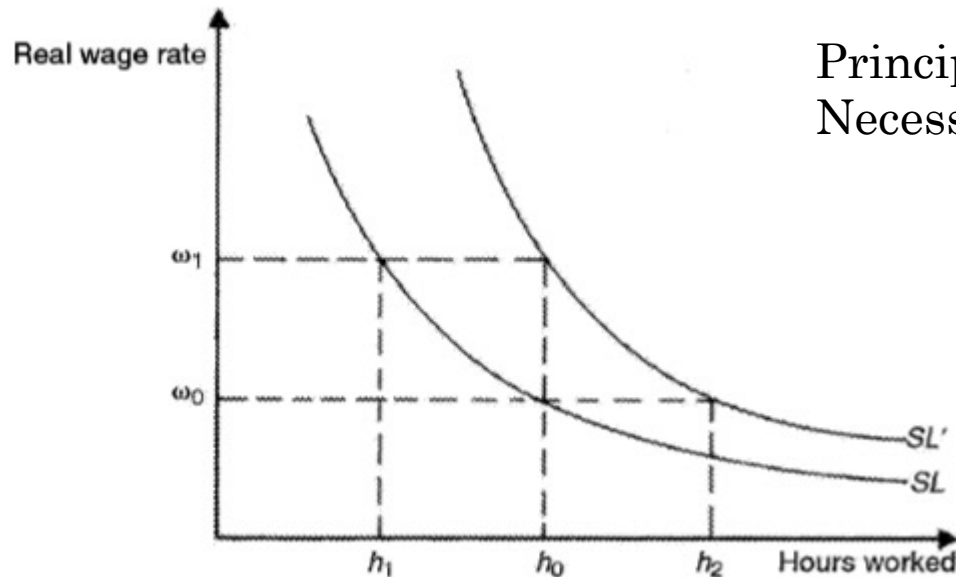


5.5 The Kaleckian post-Keynesian model of employment

Figure 3: Comparison of the Marshallian and Kaleckian demand curves. Source: Lavoie, 2014, ch.5.

## B) SUPPLY

Principle 2: The (Vital and Social) Necessity to Work

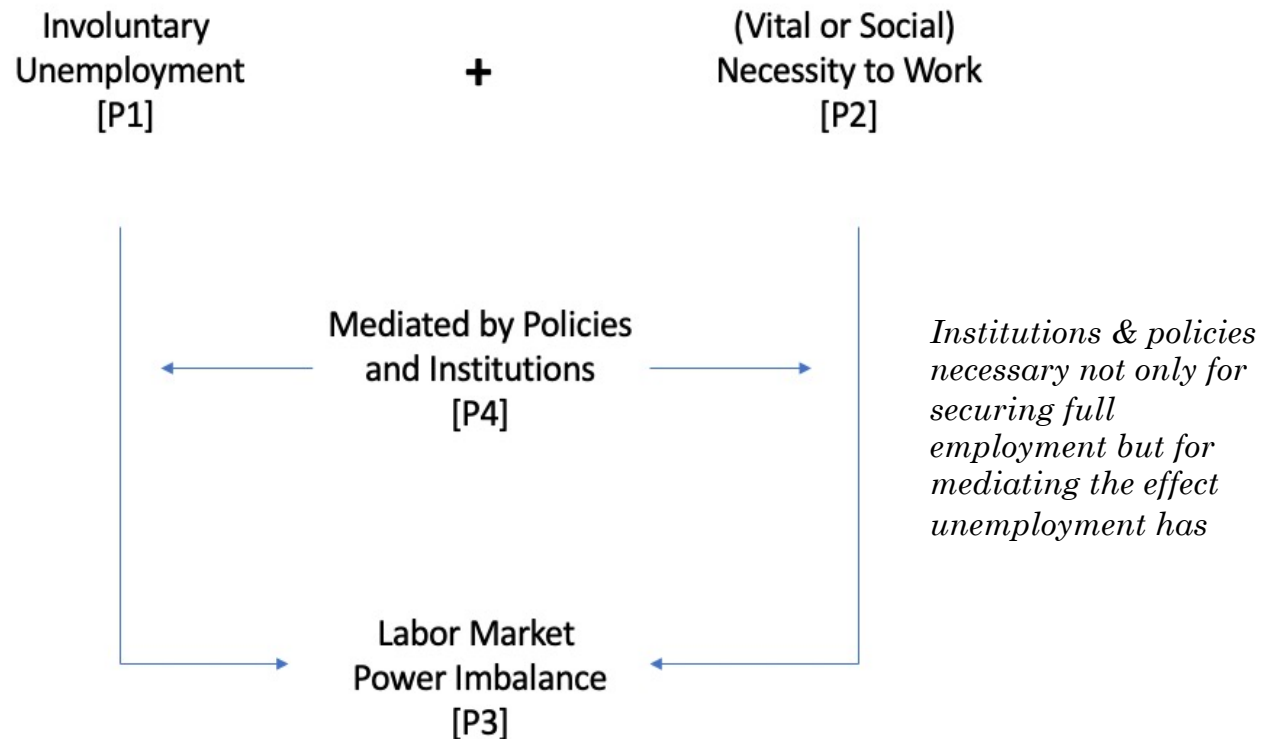


Source: Lavoie, 2014, p.316

Robinson (1937): A reduction in wages makes people work *more* not less  
Income effect > Substitution Effect

Above the minimum threshold: satisficing and emulation (Eichner 1979, Keynes 1936, King 2002, Robinson 1937)

# C) SUPPLY-DEMAND INTERACTIONS



Principle 3: Hobbesian Production / Power Imbalance  
Principle 4: Mediated by Policies and Institutions

# Conceptual Integration of PK and EE

### 3) JOINT PK&EE PERSPECTIVES

- Employment policies in EE:
  - Create jobs in sectors and industries that we do want to see grow in our economies, even if aggregate GDP growth will likely stagnate or potentially even decline

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  - Moreover, a value change is called for to decrease the social necessity to work in order to allow people to 'step outside the circle' (Frayne, 2016) of wage work and market consumption, allowing for a greater role of unpaid labor and needs-satisfaction provided by commons rather than solely by markets

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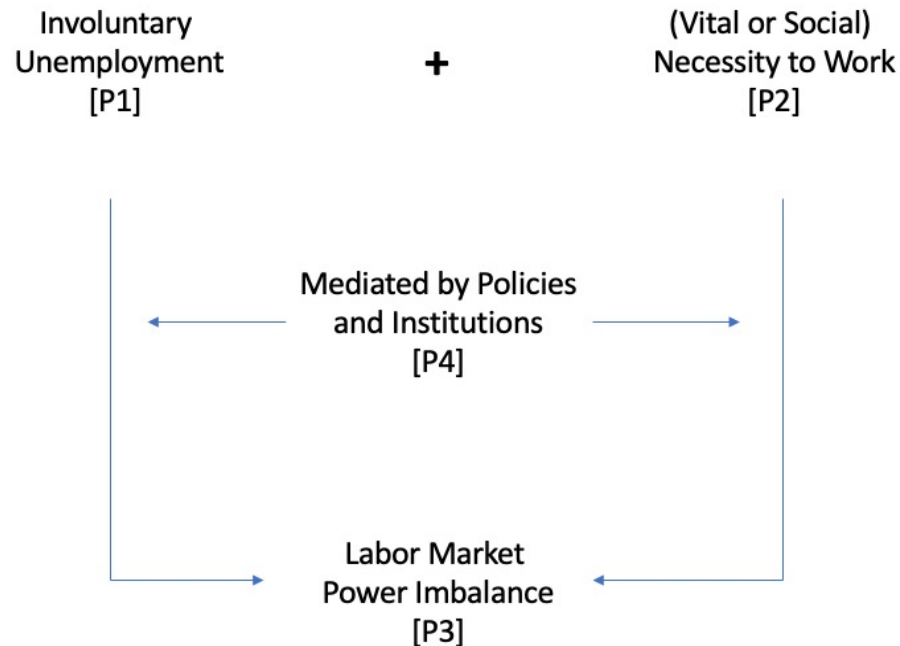
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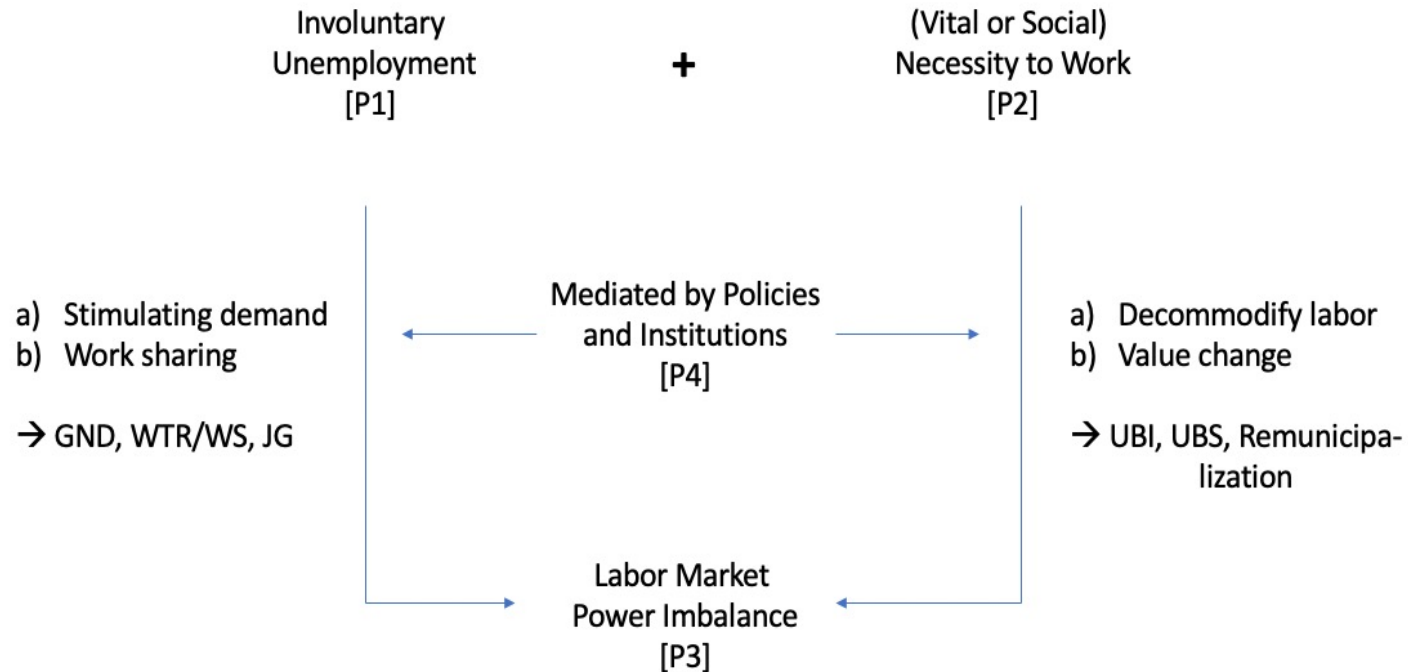
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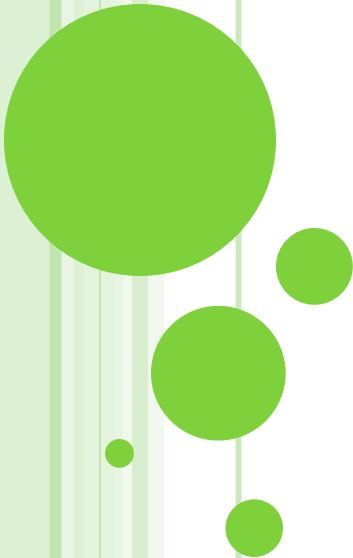
# Conclusion



Our argument: PK models are limited in their contribution to Ecological (Macro-)Economics if they do not complement the predominant demand-side view of labor markets with Post-Keynesian perspectives on *labor supply*.

In other words: Post-Keynesian Ecological Macroeconomists should think about labor.

- So far, PK has focused more on "stimulating demand" to decrease involuntary employment, though other tools (**WTR**, see Sawyer & Spencer, 2010; or **JG**, especially Tcherneva, 2020) are increasingly being discussed
- However, it is not yet entirely clear how for PK scholars such proposals relate to degrowth scenarios (or scenarios where we actually stay within the carbon budget)
- Linking post-Keynesian perspectives on the (vital and social) necessity to work with issues around climate change and aggregate growth has not yet been explored much, but might potentially be highly interesting to the degrowth literature



## ... FOR YOUR ATTENTION!

# DEGROWTH – POLICIES

- Cosme et al (2017): Screening >90 peer-reviewed articles with policy proposals. Policies with 3 goals:
  - Reduce environmental impact of human activities
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Table 3) Goal 3: Promote the **transition** from a materialistic to a convivial and participatory society

*Types of activities are denoted by R (regulate), T (taxation), I (invest/fund), and U (unclear)*

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	Promote the shift of costs from labour to capital	5	R?, T?
	Encourage the reform of corporate charters and promote new ownership patterns	10	R?
	Create salary caps	11	R
	Promote work-sharing and job-sharing	15	R?
Goal 3: Transformation	Reduce working hours	21	U

# APPENDIX

**Table 3**

List of models classified by underpinning economic growth theory.

Model ID	Model source	Model name
<i>Post-Keynesian growth models</i>		
1	Fontana and Sawyer (2016)	
2	Kemp-Benedict (2014a)	
3	Rosenbaum (2015)	
4	Taylor et al. (2016)	
5	Berg et al. (2015)	
6	Campiglio et al. (2015)	
7	Dafermos et al. (2017)	
8	Godin (2012)	
9	Jackson and Victor (2015)	FALSTAFF
10	Jackson and Victor (2016)	SIGMA
11	Jackson et al. (2014)	GEMMA
12	Naqvi (2015)	
13	Cambridge Econometrics (2014)	E3ME
<i>Other demand-driven growth models</i>		
14	Briens (2015)	
15	Cordier et al. (2015)	
16	Gran (unpublished)	LowGrow
17	Victor and Rosenbluth (2007)	LowGrow
<i>Supply-driven growth models</i>		
18	Bastin and Cassiers (2013)	
19	Bernardo and D'Alessandro (2016)	
20	D'Alessandro et al. (2010)	
<i>Other models without growth</i>		
21	Kemp-Benedict (2014b)	
22	Kronenberg (2010a)	

Highlighted: Papers  
modelling scale effects  
for labor input