

# “New economic” logics and urban sustainability transitions

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## Abstract

This paper argues that cities will play a critical role in any future sustainability transitions, and that the direction of such transitions will inevitably be shaped by broader, prevailing economic logics. Whilst neoliberalism has played a powerful role in shaping processes of urban development, we highlight four alternative, ‘new economic’ logics which represent fundamentally different modes of economic organization. In each case, the logics inform already existing urban experiments in transformative social innovation, leading to the creating of new patterns of (economic) relation. The growth of such experiments raises a number of important questions, including how we imagine the urban economy, and the role of social innovation in sustainability transitions.

## Keywords

Urban economic development, sustainability transitions, new economics, neoliberalism

## Research Highlights

- Neoliberalism has been the dominant narrative of urban economic development in recent decades.
- The paper introduces four alternative “new economic” narratives of urban economic development: degrowth; collaborative consumption; solidarity economy and social entrepreneurship.
- Each of these narratives informs and is reproduced by urban experiments in Transformative Social Innovation.
- These alternative narratives open the possibility of a more diverse range of possible urban economic pathways.

## 1. Introduction

In the “century of urbanisation” [1, 2] cities are seen as critical sites for societal change in general [3] but also more specific for sustainability transitions [4, 5, 6]. Attempting to steer urban sustainability transitions creates a number of challenges, not least how such transitions relate to the role of cities as sites of economic production and innovation. A dominant set of economic logics and discourses – many of them rooted in neoliberal market rationality – have, in recent decades, played a significant role in shaping the governance and infrastructure of cities [7]. Visions for sustainability transitions within urban contexts cannot therefore be disentangled from the economic logics that shape the evolution of urban political economies. However, the power of dominant capitalocentric discourses can obscure the wider alternative economic possibilities that are already in existence and which operate under alternate logics [8]. Likewise, any specific transition process will also be subject to multiple visions and possible pathways, and acknowledging this diversity is a critical element of opening up future possibilities [9,10].

This paper highlights four different stands of ‘new economic’ thinking which offer alternative visions for urban sustainability transitions. In each case these are being enacted in localised

experiments of Transformative Social Innovation (TSI). We define TSI as changes in social relations, involving new ways of doing, organizing, knowing and framing [11,12]. In these cases there is an explicit intention to fundamentally change economic and social relations, i.e. to contribute to transformative societal change towards new economic systems [13,14]. These experiments are rooted in a growing body of critical and ecologically informed “new economic” thinking stretches back several decades and reflects an articulation of alternative economic theories and practices. New economy critiques (representing perspectives across the full political spectrum from right to left) focus on perceived flaws of mainstream economic concepts and practices, especially the focus on growth as an economic goal, faith in markets as efficient allocative mechanisms, and the role of government and national banks in issuing money and credit [15, 16]. These cases of transformative social innovation therefore enact these alternative economic logics and in doing so open up the possibilities of alternative (urban) economies that exist beyond the dominant, capitalocentric mainstream discourses [17].

## **2. Transition Towns: Degrowth and localisation**

Transition Towns is a movement of place based community activism that involves citizens developing projects across a range of domains including food, energy, finance and transport. In the urban context transition initiatives are often organized at a neighborhood or suburban level. Whilst Transition Towns styles itself as a positive and constructive form of activism, one which seeks to engage with a wide range of partners, it is underpinned by a radical critique of mainstream economics – degrowth – which also produces an alternative vision for the socio-economic configuration of urban areas.

Degrowth relates to the argument that exponential economic growth cannot continue indefinitely in a world of finite resources [18], and has led to calls for a reorientation of economic activity away from continuous expansion and toward lower material production and consumption [19, 20, 21]. The major ecological concern that underpins calls for degrowth is related to perceived limits on planetary capacities to absorb and process material wastes from economic activities without loss of (or changes) to critical ecosystem properties and functions, such as climate regulation. Degrowth is related, therefore, to calls for other kinds of economic change, such as toward a zero-carbon economy, a dematerialized economy, a circular economy, and switches from selling (material) goods to selling (dematerialized) services. In the case of the Transition Towns movement, new forms of economic relation can include non-market forms of production and exchange.

Whilst degrowth is something that can be envisaged at the macro-economic scale [22] Transition activists often place a strong emphasis on processes of economic localization as a component strategy. Therefore the solution is not simply to localise circuits of consumption and production, but to create a steady-state economy, which “minimizes resource use, sets production on small and self-controlled scales, emphasizes conservation and recycling, limits pollution and waste, and accepts the finite limits of a single world and of a single ultimate source of energy” [23, p.331]. Transition activities which seek to promote localization include the development of local currency systems, supporting local food production, community ownership of energy and supporting local forms of entrepreneurship.

## 2. Sharing cities: Collaborative economy

A growing number of cities are self-identifying and networking under the banner of *sharing cities*, around eighty of which are officially members of the Sharing Cities network. Definitions of the sharing economy vary and overlap with broader ideas of the collaborative economy and peer-to-peer [24]. Botsman [25] defines three different systems: i) A redistribution market where unwanted or underused goods are being redistributed or reused (such as freecycle or garden share) ii) Collaborative lifestyles where non-product assets such as time, skills, money or space are exchanged or traded in new ways (e.g. air-BnB or peer to peer finance), and iii) Product service systems where people pay to access a good rather than buy it (e.g. car share). In each case, different types of sharing and business (for-profit and not-for-profit) can be identified and the extent to which for-profit businesses are contributing to a wholly new form of economy has been questioned. It is claimed that growth of sharing and collaborative production and consumption have been fostered by the 2008 economic crisis [26; 27] "that caused some consumers to lose their homes, cars, and investments and made most everyone more price sensitive" [28]. Cohen and Kietzmann [26] argue that the emerging sharing economy is particularly interesting in the context of cities that struggle with population growth and increasing density.

At its essence, the collaborative economy is about new forms of networked production and consumption - facilitated by new forms of technology - that bring people together in new ways, often without intermediaries and outside existing markets or institutional structures [28]. According to Stokes [29 p.7] "activities and models within the collaborative economy enable access instead of ownership, encourage decentralised networks over centralised institutions, and unlock wealth (with and without money). They make use of idle assets and create new marketplaces". Sharing cities implement new networks and platforms of sharing across a range of different domains such as food sharing or car sharing as well as through the creation of specific spaces which embody a sharing, collaborative ethic such as co-working spaces and co-housing.

## 3. Participatory Budgeting: Solidarity economy

Participatory budgeting involves the inclusion of citizens in municipal financial decision-making and was first started as an experiment in the city of Port Allegre in 1989. It has since grown into a network with 341 local governments and 274 universities, research centres and associations in 71 countries (2015). Whilst the original model has become somewhat managerialist and institutionalised, and the innovation has been translated into a number of different models, the principles of participatory budgeting have been advocated as an important strand of building economies based around the principles of solidarity rather than competition, where collective needs are prioritised over individual accumulation. The term solidarity economy has different meanings in different contexts. In this paper we refer explicitly to the movement and discourse which has gained some momentum in North and South America during the last two decades. This has a strong anti-capitalist ethic and advocates a range of collective, grassroots methods of organising economic activity [30].

Counterposing the solidarity economy as an alternative to both the capitalist market and planned economies, Miller [31] defines solidarity economics as "as an organizing tool that can be used to re-value and make connections between the practices of cooperation, mutual aid, reciprocity, and

generosity that already exist in our midst. Such a tool can work to encourage collective processes of building diverse, locally-rooted and globally-connected, ecologically- sound, and directly democratic economies". Miller [31] emphasizes the bottom up community led nature of solidarity economy activity and how it is something that needs to be actively nurtured and built. Singer [32] argues that solidarity economy has a number of core themes: participatory democracy; equity; environmental sustainability and transnational solidarity. The implementation of participatory budgeting within the urban context promotes the democratic control of urban finance, contributing to the first of these three strands.

#### **4. Impact Hub: Social entrepreneurship**

Impact Hub is a community focused network of social entrepreneurs, combining elements from co-working spaces, innovation labs and business incubators in order to support the development of purpose driven enterprises. Since 2005 they have spread to 70 cities globally with a membership in excess of 9,000 individuals, predominately social entrepreneurs.

Social entrepreneurship is characterised by the combination of entrepreneurial and commercial means with social goals [33, 34]. It is 'not-for-profit' in the sense that profit is made, but such profit is not the primary driver. The main goal is to achieve desired social impact [35]. Interest in social entrepreneurship grew in the 1990s as recognition grew of its role in social provision and welfare delivery. In a report pivotal in popularizing the concept, Leadbetter [36] argues that social entrepreneurs are 'social' in several senses: in promoting social outcomes; in that their focus on social capital gives them access to other capitals; and, in that they establish organisations that are socially-owned and not primarily profit-focused. It is for these reasons social enterprise is often celebrated as providing a viable alternative to privatization, de-regulation and re-regulation [37, 38] Social enterprises can have an international, national or regional geographical focus, such as fair trade organisations, or a much more local focus, which can be characterised as community enterprises [39]. In the later case they can contribute to the development of what has been characterized as a non-market, community economy [40].

#### **5. Conclusion**

This paper has argued that urban sustainability transitions necessarily involve significant economic reconfigurations. Questions about sustainable urbanism cannot therefore not be separated from questions relating to the logics and patterns of economic accumulation. This paper has highlighted four alternatives to the dominant neoliberal economic logic which are already being enacted through experiments in transformative social innovation. Each case reflects a different logic of economic organization that not only provides a different imaginary how a future (sustainable) urban economy might be configured, but is also present in existing forms of economic practice. As is the case with other forms of sustainability experimentation, cities provide a supportive geographical context in which experiments with new economies can be mobilized [41]. But to label these as only "experiments" denies the fact that they are already entangled and reconfiguring the socio-material fabric of the city, that they are having real material consequences, both within their immediate localities and beyond. Acknowledging their existence therefore not only to open up the possibility space of what urban transformation might entail, but is to also challenge our imaginary of the current urban economies, so we can begin to imagine the city as a site of multiple, co-existing and overlapping diverse economies [42]. Whilst these four strands of new economic thinking can be analytically distinguished, they overlap, intertwine and have

several commonalities in their underlying philosophies and in the way that new economic ideas lead to new configurations of economic social relation. These include: new forms of production, consumption, ownership, valuation, exchange, and organization. To the extent that these patterns of economic relation constitute the socio-economic fabric of urban economies, it is evident that processes of social innovation will therefore be central to urban sustainability transitions, whatever particular logic or direction they might take.

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