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CAN WE HAVE PROSPERITY WITHOUT GROWTH?

The critique of economic growth, once a fringe position, is gaining widespread attention in the face of the climate crisis.

By John Cassidy

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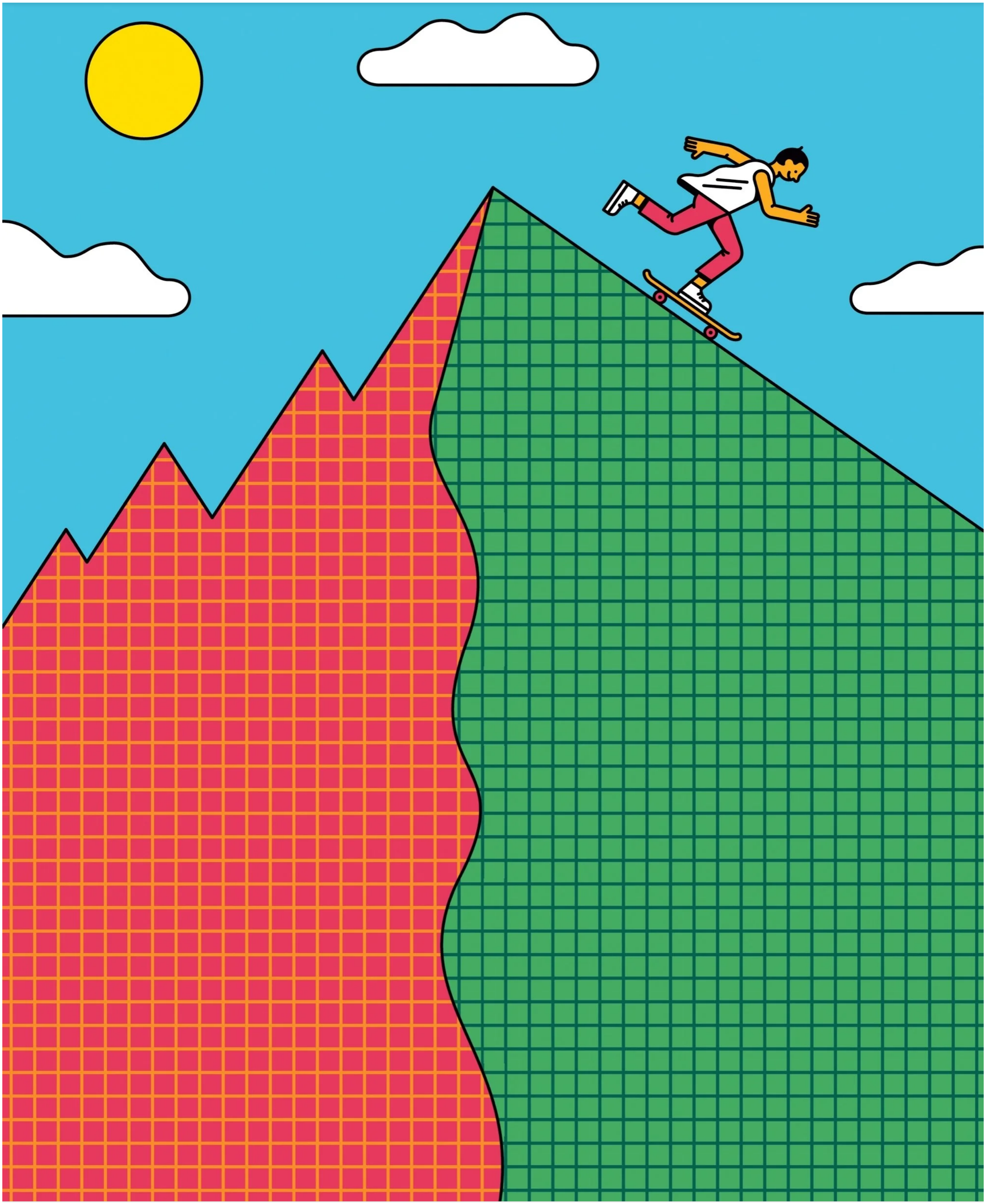

The degrowth movement would overhaul social values and production patterns. Illustration by Till Lauer

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In 1930, the English economist John Maynard Keynes took a break from writing about the problems of the interwar economy and indulged in a bit of futurology. In an essay entitled "Economic Possibilities for Our Grandchildren," he speculated that by the year 2030 capital investment and technological progress would have raised living standards as much as eightfold, creating a society so rich that people would work as little as fifteen hours a week, devoting the rest of their time to leisure and other "non-economic purposes." As striving for greater affluence faded, he predicted, "the love of money as a possession . . . will be recognized for what it is, a somewhat disgusting morbidity."

This transformation hasn't taken place yet, and most economic policymakers remain committed to maximizing the rate of economic growth. But Keynes's predictions weren't entirely off base. After a century in which G.D.P. per person has gone up more than sixfold in the United States, a vigorous debate has arisen about the feasibility and wisdom of creating and consuming ever more stuff, year after year. On the left, increasing alarm about climate change and other environmental threats has given birth to the "degrowth" movement, which calls on advanced countries to embrace zero or even negative G.D.P. growth. "The faster we produce and consume goods, the more we damage the environment," Giorgos Kallis, an ecological economist at the Autonomous University of Barcelona, writes in his manifesto, "Degrowth." "There is no way to both have your cake and eat it, here. If humanity is not to destroy the planet's life support systems, the global economy should slow down." In "Growth: From Microorganisms to Megacities," Vaclav Smil, a Czech-Canadian environmental scientist, complains that economists haven't grasped "the synergistic functioning of civilization and the biosphere," yet they "maintain a monopoly on supplying their physically impossible narratives of continuing growth that guide decisions made by national governments and companies."

Once confined to the margins, the ecological critique of economic growth has gained widespread attention. At a United Nations climate-change summit in September, the teen-age Swedish environmental activist Greta Thunberg declared, "We are in the beginning of a mass extinction, and all you can talk about is money and fairy tales of eternal economic growth. How dare you!" The degrowth movement has its own academic journals and conferences. Some of its adherents favor dismantling the entirety of global capitalism, not just the fossil-fuel industry. Others envisage "post-growth capitalism," in which production for profit would continue, but the economy would be reorganized along very different lines. In the influential book "Prosperity Without Growth: Foundations for the Economy of Tomorrow," Tim Jackson, a professor of sustainable development at the University of Surrey, in England, calls on Western countries to shift their economies from mass-market production to local services—such as nursing, teaching, and handicrafts—that could be less resource-intensive. Jackson doesn't underestimate the scale of the changes, in social values as well as in production patterns, that such a transformation

Even within mainstream economics, the growth orthodoxy is being challenged, and not merely because of a heightened awareness of environmental perils. In "Good Economics for Hard Times," two winners of the 2019 Nobel Prize in Economics, Abhijit Banerjee and Esther Duflo, point out that a larger G.D.P. doesn't necessarily mean a rise in human well-being—especially if it isn't distributed equitably—and the pursuit of it can sometimes be counterproductive. "Nothing in either our theory or the data proves the highest G.D.P. per capita is generally desirable," Banerjee and Duflo, a husband-and-wife team who teach at M.I.T., write.

The two made their reputations by applying rigorous experimental methods to investigate what types of policy interventions work in poor communities; they conducted randomized controlled trials, in which one group of people was subjected to a given policy intervention—paying parents to keep their children in school, say—and a control group wasn't. Drawing on their findings, Banerjee and Duflo argue that, rather than chase "the growth mirage," governments should concentrate on specific measures with proven benefits, such as helping the poorest members of society get access to health care, education, and social advancement.

Banerjee and Duflo also maintain that in advanced countries like the United States the misguided pursuit of economic growth since the Reagan-Thatcher revolution has contributed to a rise in inequality, mortality rates, and political polarization. When the benefits of growth are mainly captured by an élite, they warn, social disaster can result.

That's not to say that Banerjee and Duflo are opposed to economic growth. In a recent essay for *Foreign Affairs*, they noted that, since 1990, the number of people living on less than $1.90 a day—the World Bank's definition of extreme poverty—fell from nearly two billion to around seven hundred million. "In addition to increasing people's income, steadily expanding G.D.P.s have allowed governments (and others) to spend more on schools, hospitals, medicines, and income transfers to the poor," they wrote. Yet for advanced countries, in particular, they think policies that slow G.D.P. growth may prove to be beneficial, especially if the result is that the fruits of growth are shared more widely. In this sense, Banerjee and Duflo might be termed "slowthers"—a label that certainly applies to Dietrich Vollrath, an economist at the University of Houston and the author of "Fully Grown: Why a Stagnant Economy Is a Sign of Success."

As his subtitle suggests, he thinks that slower rates of economic growth in advanced countries are nothing to worry about. Between 1950 and 2000, G.D.P. per person in the U.S. rose at an annual rate of more than three per cent. Since 2000, the growth rate has slowed to about two per cent. (Donald Trump has not, as he promised, boosted over-all G.D.P. growth to four or five per cent.) The phenomenon of slow growth is often bemoaned as "secular stagnation," a term popularized by Lawrence Summers, the Harvard economist and former Treasury Secretary. Yet Vollrath argues that slower growth is appropriate for a explains this phenomenon as the result of personal choices—the core of economic orthodoxy.

Vollrath offers a detailed decomposition of the sources of economic growth, which uses a mathematical technique that the eminent M.I.T. economist Robert Solow pioneered in the nineteen-fifties. The movement of women into the workplace provided a onetime boost to the labor supply; in its aftermath, other trends dragged down the growth curve. As countries like the United States have become richer and richer, Vollrath points out, their inhabitants have chosen to spend less time at work and to have smaller families—the result of higher wages and the advent of contraceptive pills. G.D.P. growth slows when the growth of the labor force declines. But this isn't any sort of failure, in Vollrath's view: it reflects "the advance of women's rights and economic success."

Vollrath estimates that about two-thirds of the recent slowdown in G.D.P. growth can be accounted for by the decline in the growth of labor inputs. He also cites a switch in spending patterns from tangible goods—such as clothes, cars, and furniture—to services, such as child care, health care, and spa treatments. In 1950, spending on services accounted for forty per cent of G.D.P.; today, the proportion is more than seventy per cent. And service industries, which tend to be labor-intensive, exhibit lower rates of productivity growth than goods-producing industries, which are often factory-based. (The person who cuts your hair isn't getting more efficient; the plant that makes his or her scissors probably is.) Since rising productivity is a key component of G.D.P. growth, that growth will be further constrained by the expansion of the service sector. But, again, this isn't necessarily a failure. "In the end, that reallocation of economic activity away from goods and into services comes down to our success," Vollrath writes. "We've gotten so productive at making goods that this has freed up our money to spend on services."

Taken together, slower growth in the labor force and the shift to services can explain almost all the recent slowdown, according to Vollrath. He's unimpressed by many other explanations that have been offered, such as sluggish rates of capital investment, rising trade pressures, soaring inequality, shrinking technological possibilities, or an increase in monopoly power. In his account, it all flows from the choices we've made: "Slow growth, it turns out, is the optimal response to massive economic success."

Vollrath's analysis implies that all the major economies are likely to see slower growth rates as their populations age—a pattern first established in Japan during the nineteen-nineties. But two-per-cent growth isn't negligible. If the U.S. economy continues to expand at this rate, it will have doubled in size by can readily summon up scenarios in which, by the end of the next century, global G.D.P. has risen fiftyfold, or even a hundredfold.

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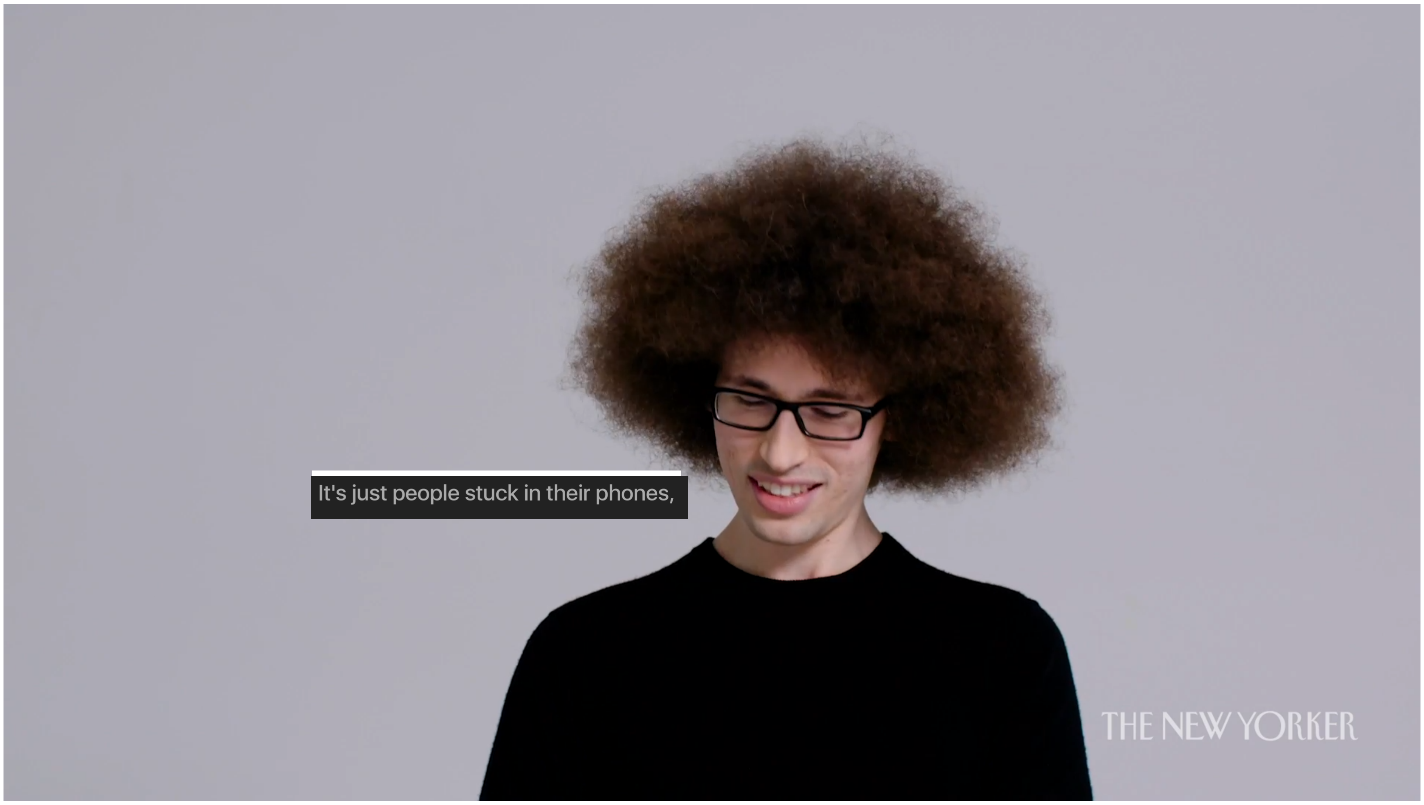

Is such a scenario environmentally sustainable? Proponents of "green growth," who now include many European governments, the World Bank, the Organization for Economic Co-operation and Development, and all the remaining U.S. Democratic Presidential candidates, insist that it is. They say that, given the right policy measures and continued technological progress, we can enjoy perpetual growth and prosperity while also reducing carbon emissions and our consumption of natural resources. A 2018 report by the Global Commission on the Economy and Climate, an international group of economists, government officials, and business leaders, declared, "We are on the cusp of a new economic era: one where growth is driven by the interaction between rapid technological innovation, sustainable infrastructure investment, and increased resource productivity. We can have growth that is strong, sustainable, balanced, and inclusive."

This judgment reflected a belief in what's sometimes termed "absolute decoupling"—a prospect in which G.D.P. can grow while carbon emissions decline. The environmental economists Alex Bowen and scientific research into green technology, and hefty taxes on fossil fuels, but oppose the idea of stopping economic growth. From an environmental perspective, they write, "it would be counterproductive; recessions have slowed and in some cases derailed efforts to adopt cleaner modes of production."

For a time, official carbon-emissions figures seemed to support this argument. Between 2000 and 2013, Britain's G.D.P. grew by twenty-seven per cent while emissions fell by nine per cent, Kate Raworth, an English economist and author, noted in her thought-provoking book, "Doughnut Economics: Seven Ways to Think Like a 21st Century Economist," published in 2017. The pattern was similar in the United States: G.D.P. up, emissions down. Globally, carbon emissions were flat between 2014 and 2016, according to figures from the International Energy Agency. Unfortunately, this trend didn't last. According to a recent report from the Global Carbon Project, carbon emissions worldwide have been edging up in each of the past three years.

The pause in the rise of emissions may well have been the temporary product of a depressed economy—the Great Recession and its aftermath—and the shift from coal to natural gas, which can't be repeated. According to a recent report by the United Nations and a number of climate-research institutes, "Governments are planning to produce about 50% more fossil fuels by 2030 than would be consistent with a 2°C pathway and 120% more than would be consistent with a 1.5°C pathway." (Those were the targets established in the 2016 Paris Agreement.) In a recent review of the literature about green growth, Giorgos Kallis and Jason Hickel, an anthropologist at Goldsmiths, University of London, concluded that "green growth is likely to be a misguided objective, and that policymakers need to look toward alternative strategies."

Can such "alternative strategies" be implemented without huge ruptures? For decades, economists have cautioned that they can't. "If growth were to be abandoned as an objective of policy, democracy too would have to be abandoned," Wilfred Beckerman, an Oxford economist, wrote in "In Defense of Economic Growth," which appeared in 1974. "The costs of deliberate non-growth, in terms of the political and social transformation that would be required in society, are astronomical." Beckerman was responding to the publication of "The Limits to Growth," a widely read report by an international team of environmental scientists and other experts who warned that unrestrained G.D.P. growth would lead to disaster, as natural resources such as fossil fuels and industrial metals ran out. Beckerman said that the authors of "The Limits to Growth" had greatly underestimated the capacity of technology and the market system to produce a cleaner and less resource-intensive type of economic growth—the same argument that proponents of green growth make today.

Whether or not you share this optimism about technology, it's clear that any comprehensive degrowth strategy would have to deal with distributional conflicts in the developed world and poverty in the developing world. As long as G.D.P. is steadily rising, all groups in society can, in theory, see their living

Western countries over the past couple of decades, slower growth has been accompanied by rising political polarization suggests that Beckerman may have been on to something.

Some degrowth proponents say that distributional conflicts could be resolved through work-sharing and income transfers. A decade ago, Peter A. Victor, an emeritus professor of environmental economics at York University, in Toronto, built a computer model, since updated, to see what would happen to the Canadian economy under various scenarios. In a degrowth scenario, G.D.P. per person was gradually reduced by roughly fifty per cent over thirty years, but offsetting policies—such as work-sharing, redistributive-income transfers, and adult-education programs—were also introduced. Reporting his results in a 2011 paper, Victor wrote, "There are very substantial reductions in unemployment, the human poverty index and the debt to GDP ratio. Greenhouse gas emissions are reduced by nearly 80%. This reduction results from the decline in GDP and a very substantial carbon tax."

More recently, Kallis and other degrowthers have called for the introduction of a universal basic income, which would guarantee people some level of subsistence. Last year, when progressive Democrats unveiled their plan for a Green New Deal, aiming to create a zero-emission economy by 2050, it included a federal job guarantee; some backers also advocate a universal basic income. Yet Green New Deal proponents appear to be in favor of green growth rather than degrowth. Some sponsors of the plan have even argued that it would eventually pay for itself through economic growth.

There's another challenge for growth skeptics: how would they reduce global poverty? China and India lifted millions out of extreme deprivation by integrating their countries into the global capitalist economy, supplying low-cost goods and services to more advanced countries. The process involved mass rural-to-urban migration, the proliferation of sweatshops, and environmental degradation. But the eventual result was higher incomes and, in some places, the emergence of a new middle class that is loath to give up its gains. If major industrialized economies were to cut back their consumption and reorganize along more communal lines, who would buy all the components and gadgets and clothes that developing countries like Bangladesh, Indonesia, and Vietnam produce? What would happen to the economies of African countries such as Ethiopia, Ghana, and Rwanda, which have seen rapid G.D.P. growth in recent years, as they, too, have started to join the world economy? Degrowthers have yet to provide a convincing answer to these questions.

"growth." Kate Raworth has proposed that we adopt environmentally sound policies even when we're uncertain how they will affect the long-term rate of growth. There are plenty of such policies available. To begin with, all major countries could take more definitive steps to meet their Paris Agreement commitments by investing heavily in renewable sources of energy, shutting down any remaining coal-fired power plants, and introducing a carbon tax to discourage the use of fossil fuels. According to Ian Parry, an economist at the World Bank, a carbon tax of thirty-five dollars per ton, which would raise the price of gasoline by about ten per cent and the cost of electricity by roughly twenty-five per cent, would be sufficient for many countries, including China, India, and the United Kingdom, to meet their emissions pledges. A carbon tax of this kind would raise a lot of money, which could be used to finance green investments or reduce other taxes, or even be handed out to the public as a carbon dividend.

Taking energy efficiency seriously is also vital. In a 2018 piece for the *New Left Review*, Robert Pollin, an economist at the University of Massachusetts, Amherst, who has helped design Green New Deal plans for a number of states, listed several measures that can be taken, including insulating old buildings to reduce heat loss, requiring cars to be more fuel efficient, expanding public transportation, and reducing energy use in the industrial sector. "Expanding energy-efficiency investment," he pointed out, "supports rising living standards because, by definition, it saves money for energy consumers."

To ameliorate the effects of slower G.D.P. growth, policies such as work-sharing and universal basic income could also be considered—especially if the warnings about artificial intelligence eliminating huge numbers of jobs turn out to be true. In the United Kingdom, the New Economics Foundation has called for the standard workweek to be shortened from thirty-five to twenty-one hours, a proposal that harks back to Victor's modelling and Keynes's 1930 essay. Proposals like these would have to be financed by higher taxes, particularly on the wealthy, but that redistributive aspect is a feature, not a bug. In a low-growth world, it is essential to share what growth there is more equitably. Otherwise, as Beckerman argued many years ago, the consequences could be catastrophic.

Finally, rethinking economic growth may well require loosening the grip on modern life exercised by competitive consumption, which undergirds the incessant demand for expansion. Keynes, a Cambridge aesthete, believed that people whose basic economic needs had been satisfied would naturally gravitate to other, non-economic pursuits, perhaps embracing the arts and nature. A century of experience suggests that this was wishful thinking. As Raworth writes, "Reversing consumerism's financial and cultural dominance in public and private life is set to be one of the twenty-first century's most gripping psychological dramas." ♦

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