

Inquiring Minds topic – 6 December 2013

Jack Dreyer, Moderator

Argument: Is it time to ditch the pursuit of economic growth?

May 2013 - Economist and author Dan O'Neill and journalist
and author Daniel Ben-Ami go head-to-head.

Dan

DAN O'NEILL is a lecturer in ecological economics at the University of Leeds, and chief economist at the Center for the Advancement of the Steady State Economy. He is co-author (with Rob Dietz) of *Enough Is Enough: Building a Sustainable Economy in a World of Finite Resources*, published by Routledge and Berrett-Koehler this year.

Kenneth Boulding once warned that anyone who believes exponential growth can go on forever in a finite world is either a madman or an economist. It's time for us to put an end to this mad pursuit in wealthy nations like the US and Britain.

Besides being a recipe for environmental disaster, we have reached a point where economic growth is no longer improving people's lives. Although the British economy has more than tripled in size since 1950, surveys indicate that people have not become happier. Inequality has risen sharply in recent years, and jobs are far from secure. At the same time, increased economic activity has led to greater resource use, dangerous levels of carbon dioxide in the atmosphere, and declining biodiversity. There is now strong evidence economic growth is costing us more than it's worth.

The real question is not whether we should ditch the pursuit of growth – that's a given – the question is what to replace it with. How do we build a stable economy that meets our needs without endangering the life-support systems of the planet? Five years ago, it would have been difficult to answer this question, but now a new economic blueprint is emerging based on the work of hundreds of researchers around the world. It's a blueprint for an economy of *enough*. It includes strategies to conserve natural resources, stabilize population, reduce inequality, fix the financial system, create meaningful jobs, and change the way we measure progress.

But in order to implement these strategies, we first need to let go of our obsession with economic growth. Only then can we build an economy where the goal is better lives, not more stuff.

Daniel

DANIEL BEN-AMI is a journalist and author based in London. An extended version of his latest book, *Ferraris for All*, was published in paperback and Kindle by Policy Press in 2012. His website can be found at danielbenami.com

Before I make the case for economic progress it is necessary to challenge your peculiar premise that the US and Britain are obsessed with economic growth. On the contrary, the sentiments you express are essentially a stronger form of an outlook that has long prevailed among the élites in both countries.

Admittedly, Western leaders sometimes proclaim support for growth. But they also, like you, talk incessantly about various types of alleged limits to prosperity: environmental constraints, the need for happiness and the dangers of inequality. Both US President Barack Obama and British Prime Minister David Cameron have made countless statements along these lines. Indeed, they became mainstream in Western thought back in the 1970s.

In that respect, your Kenneth Boulding reference from 1973 is fitting. Yet you fail to mention he was chair of the American Economic Association – a pillar of the establishment.

Before we go on, I would therefore suggest that to be intellectually consistent you should concede two points. First, that green ideas are mainstream even if the élite does not go quite as far as you would like; and second, acknowledge that for all your talk of ‘better lives’, what you favour is savage austerity. The implication of your argument is that the cuts in living standards that people have suffered since the 2008-09 recession do not go nearly far enough. If you believe such sacrifices are necessary you should at least say so explicitly.

Dan

I’m stunned that you consider a clean environment, happiness and equality to be ‘limits to prosperity’. These are the very foundations of prosperity. I fear that your definition of a prosperous society simply equates economic progress to an increase in GDP – to consuming more and more stuff.

Once we have access to enough goods and services, additional money fails to buy additional happiness. But other things do improve our lives, like strong personal relationships, good health, safe communities, and having a secure and fulfilling job.

You equate more with better, but the two are not the same. More schools is not the same thing as better education. More hospitals does not mean longer lives – Dan

I agree that the concept of a socially just and environmentally responsible economy is gaining traction, as demonstrated by initiatives such as the European Commission’s Beyond GDP project and the Organization for Economic Co-operation and Development (OECD)’s Better Life initiative. However, despite these hopeful projects, economic growth still remains the primary goal of most nations.

The main economic debate centres on how best to grow the economy: austerity or stimulus spending. But this is a false choice, and I don’t support either option. There is a much better alternative: a steady-

state economy. We must change our economic goal from increasing GDP to improving quality of life. A steady-state economy would mean consuming less stuff and protecting the environment, but it would also mean creating meaningful jobs, a stable system of finance, and a more equal society. In short, it would mean real prosperity.

Daniel

If you read what I actually wrote – for example, ‘alleged limits to prosperity’ – we could have a more productive debate. My argument is that it is you, not me, who is obsessed with constraints.

You also misrepresent the case for growth. I have never argued that material progress is simply about having more ‘stuff’ – although I’m all in favour of people having the possessions they desire – or about infinite economic expansion.

The fundamental argument is that a high level of material prosperity is a necessary precondition for the full realization of human potential. As long as we are limited by scarcity we will not be able to flourish as a species.

This certainly means having consumer goods but it also involves building more and better airports, art galleries, hospitals, museums, power stations, roads, schools, telecommunications, universities and all the paraphernalia of modern life. All this takes enormous resources. It also means the associated development of medicine, science and technology.

During the period of modern economic growth from about 1800 to the present day the average life expectancy worldwide has increased from about 30 years to 70. Pause for a moment to consider the enormity of that achievement. What’s more, life expectancy is still rising. This is just one of innumerable benefits of prosperity.

Unfortunately, growth in the West has stalled and even in the developed world there is still enormous scope to raise living standards further. The challenge is to go forward with economic progress rather than rebranding austerity as ‘prosperity’.

Dan

I agree that we could have a more productive debate – by discussing real solutions to the environmental, social and economic problems that we face.

Resource scarcity is no longer the problem. We have enough stuff, and we probably have enough airports, roads and power stations. People’s lives would be improved much more by reducing inequality, shortening working hours, and fixing the financial system, than by growing the economy by three per cent.

You equate more with better, but the two are not the same. More schools is not the same thing as better education. More hospitals does not mean longer lives. There is an optimal scale for all of these things, beyond which there is no point in building more. The law of diminishing returns is one of the most basic concepts in economics.

You say you don't believe in 'infinite economic expansion'. This is comforting because it shows you recognize there is a point where expansion should end. But where is this point for you? It should be where the costs of additional growth (for example, environmental degradation) begin to exceed the benefits (for example, more goods and services).

I agree that there is a correlation between affluence and life expectancy, but it only holds at very low incomes (less than \$5,000). Life expectancy can increase, technology can develop, and people can lead better lives – without economic expansion.

Economic growth may have been a good strategy for the 19th century, but we need a new strategy for the 21st. Fortunately, a blueprint is emerging. Read *Enough Is Enough*.

Daniel

A crucial difference between us is our attitude towards the problems facing humanity. You see us as being constrained by insurmountable barriers whereas I believe progress means overcoming challenges.

Take the notion of natural limits. You essentially argue that we need to accept savage cuts in living standards for the sake of the environment. I contend that through the application of ingenuity we can and should transcend environmental problems.

We should go forward with economic growth until the bulk of the world's population feels its needs have been met. It is not for us to decide what is enough for everyone else – Daniel

Climate change illustrates the point vividly. To the extent that it is a problem which will require massive investment to solve. De-carbonizing the energy supply – including investing in new generations of cleaner power stations – will not come cheap. Only economic growth can generate the huge resources needed to pay for it. Building modern flood defences and the like also costs money.

Ironically, the thrust of your approach to climate change undermines our capacity to tackle the problem. The poorer and less technologically advanced we are, the worse our plight will be.

All you offer is an egalitarianism of misery. An impoverished world in which almost everyone will have their incomes slashed for the sake of green dogma.

I suspect that, whether you like it or not, coercion would be necessary to achieve your desired outcome. Few would embrace lower living standards voluntarily. That probably explains why you are coy about spelling out the pro-austerity consequences of your arguments.

Instead we should go forward with economic growth until the vast bulk of the world's population feels its needs have been met. It is not for you or me to decide what is enough for everyone else.

This feature was published in the May 2013 issue of *New Internationalist*.