

PROSPERITY WITHOUT GROWTH

Prosperity without Growth is a 107-plus page report by Prof. Tim Jackson, Univ. of Surrey, England, and published in March 2009 by the Sustainable Development Commission, an executive non-departmental body wholly owned by the British Government. The full report is available on-line at Sustainable Development Commission, Prosperity without Growth, as is an 8-page summary. What follows is my 4-page summary in which I have numbered the main points for reference purposes.

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Economic growth has not lived up to its promise.

1. Economic growth is supposed to deliver prosperity. Higher incomes should mean better choices, richer lives, and an improved quality of life for all. That is the conventional wisdom. But things haven't always turned out that way.
2. Growth has delivered its benefits unevenly. A fifth of the world's population earns just 2% of global income; the bottom billion just \$1.00/day. Even middle class incomes in Western countries – in real terms – had become stagnant prior to the current recession.
3. Not only has economic growth failed to spread its benefits fairly, it is pressing against resource limits. In the last quarter century the global economy has doubled while an estimated 60% of the earth's ecosystems have been degraded.
4. With the world population rising from 6.8 billion today to a likely 9.2 billion in forty years, it is inconceivable that “business as usual” can continue to 2050. What would such an economy look like? Does it offer a credible vision for a shared and lasting prosperity?
5. Climate change, fuel security, collapsing biodiversity, and global inequality have moved inexorably to the fore of the international policy agenda, demanding attention now.
6. This report aims (a) to analyze the dynamics of an emerging ecological crisis that is likely to dwarf the existing economic crisis, and (b) to put forward coherent policy proposals that will facilitate the transition to a sustainable economy.

The Age of Irresponsibility

7. The current banking crisis put the world on the brink of financial disaster and has shaken the dominant economic model to its foundations, forcing us to confront our inability to manage both the financial sustainability and the ecological sustainability of the global economy
8. Financial sustainability and ecological sustainability are intimately related.
9. It is the “growth imperative” that has shaped the current world economy. It motivated the loosened regulations of the financial sector, loosened credit, and the encouragement of more consumption. If there was irresponsibility it was the broadly approved striving for ever more economic growth.
10. The idea that growth can deliver us from the current crisis is deeply problematic. Even if efforts to restore the status quo succeed in the short run, they will simply return us to a long-run condition of financial and ecological unsustainability. This is what is irresponsible.

Redefining Prosperity

11. A more appropriate response to the present ecological-economic crisis is to search for alternative visions of how humans can flourish but with reduced impact on the environment.
12. It is perverse to talk about things going well while there is inadequate food, shelter, and health for a full billion people in the developing world. The simple equations of quantity equaling quality, or more equaling better, are false. An alternative vision is a necessity.
13. Food, shelter, and clothing, are essential, but prosperity has social and psychological dimensions, including the ability to give and receive love, to enjoy the respect of your peers, to

contribute useful work, and to have a sense of belonging and trust in the community. Gross Domestic Product is no measure of the countless varied elements of well-being and happiness.

14. A fair and lasting prosperity – and our happiness – cannot be isolated from the realities of the scale of the global population and the planet’s resources per person. To ignore these bounds is to condemn all of our descendants – and our fellow creatures – to a planet of poverty.
15. Conversely, the possibility that humans can flourish and at the same time consume less is an intriguing one. It would be foolish to think that this would be easy to achieve, but it should not be given up lightly. It offers the best prospect for a lasting prosperity while avoiding disaster.

The Dilemma of Growth

16. A vision of prosperity without growth does not mean that this is possible. Perhaps continued economic growth and material opulence are in fact absolutely necessary (a) for flourishing – humans need wealth to show rank, (b) for health, education, etc., which tend to rise with higher economic activity, and (c) for economic and social stability, which suffer without growth.
17. Competition spurs the use of new technologies which then increases labor productivity – i.e., more output with less work. As long as economic growth offsets increases in productivity there is no problem. Otherwise people lose jobs. With less money in the economy, output falls, public spending is curtailed, and the ability to service public debt is diminished. A spiral of recession looms. Growth is essential within this system to prevent collapse.
18. Hence the dilemma – continuing growth may be unsustainable and impossible but “de-growth” appears to be unstable and unacceptable. The failure to take this dilemma seriously may be the single biggest threat to sustainability.

The Myth of Decoupling as a Solution

19. The conventional response to this dilemma is to call for decoupling – i.e., continued economic growth but with continually declining material throughput.
20. Relative decoupling occurs when resource impacts decline relative to gross domestic product. Evidence of relative decoupling is widespread. Energy required to produce a unit of economic output declined by a third during the last thirty years. Global carbon intensity fell from around one kilo per dollar of economic activity to just under 770 grams per dollar.
21. Absolute decoupling occurs when resource impacts decline in absolute terms, which is essential if economic activity is to remain within ecological limits. Evidence of this is hard to find. The past thirty years of improvements in energy efficiency have been offset by increases in the scale of economic activity over the same period. Since 1990, the base year for the Kyoto treaty, global carbon emissions from energy use have increased by 40%.
22. The scale of investments required for improvements is daunting. In a world of nine billion, all aspiring to an income level commensurate with 2% growth on the average EU income today, carbon intensities would have to fall on average by over 11% per year to stabilize the climate. This is 16 times faster than done since 1990. By 2050 the global carbon intensity would need to be only six grams per dollar of output, almost 120 times lower than it is today.
23. The enormous investments needed to achieve such improvements would transform the world economy. Factor in the wider capital needs for resource efficiency, for material and process substitution, and for ecological protections and the scale of investment then becomes an issue.
24. In addition, unless growth in the richer nations is curtailed the ecological implications of a shared prosperity become even more daunting. It is delusional to assume that capitalism’s propensity for efficiency will be sufficient to stabilize climate and protect against resource scarcity. Those who promote decoupling to escape from the growth dilemma need to take a closer look at both the historical evidence and at the basic arithmetic of absolute decoupling.

The “Iron Cage” of Consumerism – the Production and Consumption of Novelty

25. One of the most striking features of the global financial crisis that emerged during 2008 was the degree of consensus that the overriding priority was to re-invigorate economic growth. The

call was for mechanisms that would kick-start growth and create jobs – i.e., lower interest rates, lower taxes, and “green” public spending – but, of course, an economy still continuing to grow.

26. It is fanciful to suppose that the needed deep cuts in resources and emissions can be achieved without confronting two interrelated features of modern economic life – the production of novelty and the consumption of novelty.
27. The profit motive stimulates a continual search for improved products and services, but this would be of little value without public demand for novelty.
28. Material goods play a symbolic role in our lives, allowing us to communicate about social status, our identities, and feelings for each other. Novelty allows us to explore our aspirations for ourselves and our family, and our dreams of the good life.
29. The restless desires of consumers are the perfect complement for the restless innovation of the entrepreneur – the perfect combination for driving growth. Individuals are at the mercy of social comparison and firms must innovate or die, so institutions are skewed into the pursuit of materialistic consumerism, with the economy itself being dependent upon consumption growth for its survival. This is an “iron cage” – a pathological system in which no one is free.
30. The system remains economically viable as long as liquidity is preserved and consumption rises. It collapses when either of these stalls.

The New Green Economy – Good, But Not Sufficient

31. Recovery from the current economic crisis means re-invigorating consumer spending to kick-start economic growth, generally by public spending or by tax cuts or by both.
32. Public investment expenditures on energy security, low-carbon infrastructures, and ecological protection offers jobs and economic recovery in the short term, technological innovation and energy security in the medium term, and a sustainable future for our children in the long term.
33. Nevertheless, the default assumption is to return the economy to a condition of economic growth. But, since this is unsustainable, it is difficult to escape the conclusion that in the longer term this will be insufficient. Instead, a very different kind of macro-economic structure is essential for an ecologically-constrained world.

Sustainable Macro-Economics Will Differ Greatly from Current Macro-Economics

34. Again, no clear economic model exists for avoiding unemployment and achieving economic stability without consumption growth. Attempts to develop such models include work-time policies to prevent rising unemployment and also shifting away from fossil fuels. But crucially, the models show that more of the national income must be allocated to savings and investment.
35. This condition of stability will require distributional equity, specified levels of resource throughput and emissions, and provide for the protection of critical natural capital. There will be important differences between such an economy and our conventional economy. The balance between consumption and investment, the split between the public and the private sector spending, the nature of productivity improvements, the conditions of profitability, and the role of government – all of these very important matters will have to be re-negotiated.

Flourishing – within Limits

36. Fixing the economy is only one part of the problem. Addressing the logic of consumerism is also vital. The task is far from simple – mainly because of the way in which material goods are so deeply implicated in the fabric of our lives. Simplistic exhortations to resist consumerism are destined to failure as long as the messages about high street consumption point in the other direction.
37. Any strategy to address the social logic of consumerism must consist of two main avenues. The first is to dismantle the perverse incentives for unproductive status competition. The second must be to establish new structures that provide capabilities for people to flourish – and to participate meaningfully and creatively in the life of society – in less materialistic ways.

38. The advantages in terms of prosperity are likely to be substantial. A less materialistic society will enhance life satisfaction. A more equal society will lower the importance of status goods. A less growth-driven economy will improve people's work-life balance. Enhanced investment in public goods will provide lasting returns to the nation's prosperity.

Governance for Prosperity – Balancing Interests of the Individual against the Common Good

39. All varieties of governments have a structural requirement for growth, and they rely directly or indirectly on consumerism to achieve this. As long as macro-economic stability depends upon economic growth, government will have an incentive to support social structures that reinforce materialistic, novelty-seeking individualism.
40. Conversely, freeing the macro-economy from an embedded requirement for growth will simultaneously free government to play its proper role in delivering social and ecological goals and protecting long-term interests. A new vision of governance that embraces this role is urgently needed.

The Transition to a Sustainable Economy

41. The policy demands of this report are significant. Steps that governments could take now to effect the transition to a sustainable economy fall into three main categories – building a sustainable macro-economy, protecting capabilities for flourishing, and respecting ecological limits.
42. A part of the aim of this analysis is to provide a coherent foundation for these necessary new policies and help strengthen the hand of government in taking them forward. But progress towards sustainability is painfully slow and tends to stall on the over-arching commitment to economic growth. A change in political will and a new vision of governance are essential.
43. The current economic climate provides a unique opportunity for governments to take the essential steps toward building a sustainable macro-economy, toward protecting capabilities for flourishing, and toward respecting ecological limits. That would both demonstrate leadership and simultaneously champion international action on sustainability.
44. The process must start by developing financial and ecological prudence at home and, also, by beginning to redress the perverse incentives and damaging social logic that lock us into unproductive status competition.
45. Above all, there is an urgent need to develop a resilient and sustainable macro-economy that is no longer predicated on relentless consumption growth. The clearest message from the financial crisis of 2008 is that our current model of economic success is fundamentally flawed. For the advanced economies of the Western world, prosperity without growth is no longer a utopian dream. Prosperity without growth is a financial and ecological necessity.
46. The report concludes with a list of twelve steps for building a sustainable macro-economy, protecting capabilities for flourishing, and respecting ecological limits.

Conclusion: The report's views on where we are and where headed, through item 33, seem solid. Public understanding of these matters is much needed. The remaining items that describe the author's view of what we should be doing now are consistent and logical, but there are several big gaps. Missing are (a) discussion of the number of years remaining before our current growth economy expires due to its unsustainability, (b) the how, why, when, where, etc. of this ending, (c) global economic growth as being roughly 1/3rd due to population growth and 2/3rds due to economic growth per person, and (d) the steps needed to garner the political majorities, worldwide, that will be required before "what we should be doing now" can become reality.

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