

Beyond the Growth Economy

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Economic growth is supposed to deliver prosperity. Higher incomes should mean better choices, richer lives, an improved quality of life for us all. That, at least, is the conventional wisdom. But—as those familiar with the work represented in this journal know only too well—things haven't always turned out that way.

Growth has delivered its benefits, at best, unequally. A fifth of the world's population earns just 2% of global income. Inequality is higher in the OECD nations than it was 20 years ago. And while the rich got richer, middle-class incomes in Western countries were stagnant in real terms long before the current recession. Far from raising the living standard for those who most needed it, growth let much of the world's population down. Wealth trickled up to the lucky few.

Fairness (or the lack of it) is just one of several reasons to question the conventional formula for achieving prosperity. In the last half century, the global economy has expanded five times. But an estimated 60% of the world's ecosystems have been degraded. Global carbon emissions have risen by 40% since 1990 (the Kyoto

Protocol "base year"). Significant scarcity in key resources—such as oil and gas—may be less than a decade away.

None of this is news to industrial ecologists. It is still news (apparently) to politicians and policy makers. Or at least its implications are so unpalatable that they dare not even ask the question that screams to be heard:

Of course, poorer nations stand in urgent need of economic development... But are ever-rising incomes for the already rich really an appropriate goal in a world constrained by ecological limits? Or is it time to contemplate the possibility of prosperity without growth?... Freeing ourselves from the imperative for growth would free up government to play its proper role in protecting ecological and social goods.

How on earth can we contemplate exponential expansion of the economy in a palpably finite world?

This was the question addressed in a recent report for the UK Sustainable Development Commission (SDC; Jackson 2009). Imagine a world of 9 billion people, all aspiring to a Western lifestyle. And then imagine that this economy still keeps on growing at 2% a year.

By the end of this century, it will be 40 times bigger than today's economy and 200 times bigger than it was only half a century ago.

Of course, poorer nations stand in urgent need of economic development. Nobody denies that. But are ever-rising incomes for the already rich really an appropriate goal in a world constrained by ecological limits? Or is it time to contemplate the possibility of prosperity without growth?

Clearly, the recession throws this question into sharp relief. The banking crisis of 2008 led the world to the brink of financial disaster and shook the dominant economic model to its foundations. It redefined the boundaries between market and state and forced us to confront our

inability to manage the financial sustainability—let alone the ecological sustainability—of the global economy.

In principle, this crisis offers a unique opportunity to address financial and ecological sustainability together. But the logic of this was almost completely lost on government. To say that the official response has been cautious would be an understatement. An unfortunate accident of timing had the SDC launching the report in the first week of April—the week the G20 leaders met in London to discuss ‘kick-starting’ the global economy (what a lovely phrase). The immediate response was a furious backlash from people who would not even turn the first page of *Prosperity without Growth?* largely because of the title (and in spite of the strategically placed question mark). Had they done so, they might have discovered that the report goes out of its way to explain why the growth imperative is so deeply embedded in our society and to understand why governments are so wedded to it.

The key point here is one raised decades ago by John Maynard Keynes (1935), whose popularity has surged in the current recession. Keynes pointed to the vital functional role of the economy in providing stability. Social stability matters. The evidence on this is absolutely clear. Economies that collapse threaten basic livelihoods, undermine our capabilities for flourishing, and represent a direct hit on prosperity (however it is conceived).

Governments have a clear responsibility to prevent this from happening. And as long as this depends on growth, they’ll do what they can to protect it. Conversely, of course, freeing ourselves from the imperative for growth would free up government to play its proper role in protecting ecological and social goods.

The most vital task that emerges from this is the need to confront the ecologically illiterate macroeconomics according to which structural stability is achieved only through continued consumption growth. And the starting point for this task is to understand how this structural reliance works.

The basic mechanism is pretty straightforward. The most important dynamic is the role of labor productivity in capitalism. Continuous im-

provements in technology mean that more output can be produced for any given input of labor. But, crucially, this also means that fewer people are needed to produce the same goods from one year to the next.

As long as the economy expands fast enough to offset labor productivity, there isn’t a problem. But if the economy doesn’t grow, there is a downward pressure on employment. People lose their 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. Economic growth is necessary within this system just to prevent collapse.

The conventional response to this dilemma is to call for “decoupling”: continued economic growth with continually declining material throughput. Again, this is a very familiar terrain for industrial ecologists. And, in principle, it should also have some resonance for economists. Because efficiency is one of the things that modern capitalist economies are good at, decoupling has a clear logic and a strong appeal as a solution to the dilemma of growth.

Of course, readers of this journal know only too well that evidence for overall reductions in resource throughput (absolute decoupling) is virtually absent. Dramatic improvements in energy efficiency over the last 3 decades have been offset by massive increases in the scale of economic activity. Global carbon emissions from energy use has increased by 40% since only 1990 (the Kyoto Protocol base year).

Moreover, the scale of improvement required in the future is daunting. In a world of 9 billion people, all aspiring to a level of income commensurate with 2% growth on the average European Union income today, carbon intensities (e.g.) would have to fall, on average, by more than 11% per year to stabilize the climate, 16 times faster than they have fallen since 1990. By 2050, the global carbon intensity would need to be only 6 grams per dollar of output, almost 130 times lower than it is today (see figure 1).

Given these numbers, it seems almost fanciful to suppose that we can achieve “deep” resource and emission cuts without confronting the nature and structure of market economies. The role of productivity in particular calls out for reexamination.

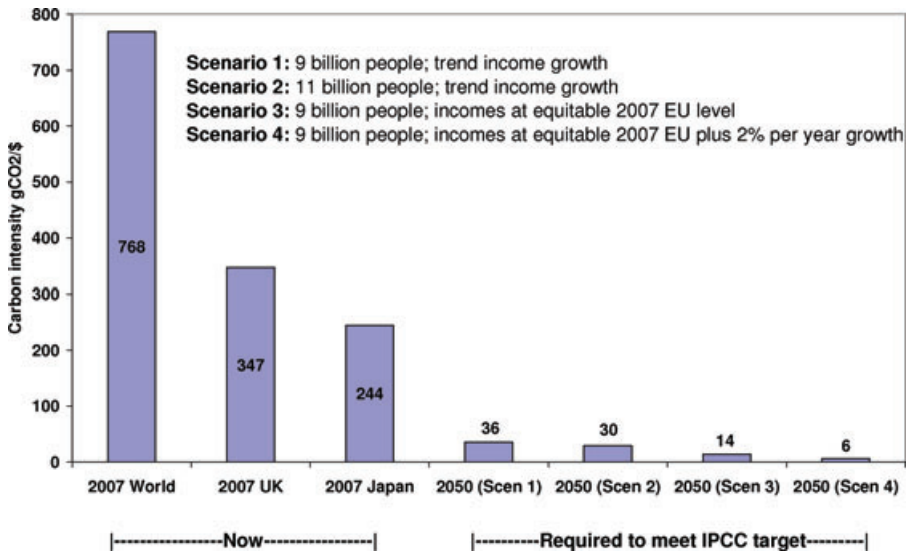


Figure 1 Carbon intensities now and required to meet the 450 ppm target. Scen = scenario.

There ought, in principle, to be common ground here with industrial ecology, where the role of resource productivity is so strongly emphasized. But in conventional economics, this concept still doesn't cut much ice (mainly because of the relative price of materials and labor). Productivity growth is dominated by the concept of labor productivity. Doing more with fewer people (rather than fewer resources) is the name of the game.

Rethinking the role of productivity offers only a couple of possibilities. One is to accept increasing labor productivity as a desirable aim and then reduce its impact on unemployment by sharing out the available work. In short, we'd all end up working less and having more leisure time.

The other is to question the need for labor productivity growth. Clearly, there are places where improved labor productivity is to be welcomed. Some jobs just aren't much fun and are much improved through a little capital investment in labor-saving devices. But other jobs actually rely intrinsically on human input. Think of health services, education, counseling, local markets, repair and maintenance, social services, and community workers of all kinds. The labor content of these services provides their value. Reducing the labor content undermines both the quality of the output and the quality of the working experience.

The odd twist to this tale is that those who call for a "service-based economy" as a solution to the dilemma of growth are really onto something. But they have missed a vital point. The activities that constitute this new economy are virtually useless in conventional terms: They are "dragging down" productivity. A transition to these activities won't stimulate growth.

Conversely, though, does that really matter? These activities provide valuable services, are embedded in the local community, offer meaningful and much-needed employment, and have the potential for lower resource throughputs.

There's much still to be done to further articulate this vision of community-based social enterprise. Above all, there is an urgent need to develop a resilient ecological macroeconomics that incorporates these ideas and is no longer predicated on relentless consumption growth.

But 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. It is a financial and ecological necessity.

References

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