

To grow or not to grow?

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What is the purpose of economic growth? Do we need it? Or do we prefer not to grow? What would that mean? And why is Dmitri Orlov thinking how to build a cargo sailboat?

There is reportedly a Chinese curse which says: "May you live in interesting times!" Indeed, one cannot choose the period to live in. And today we do live in very interesting times. One of its main features are quick changes: new and new technologies, population growth, but also ongoing degradation of natural resources, reduction of fossil fuels, climate change... This weird period is also characterized by value inhomogeneity. I have an impression that I live in two parallel worlds, which, although located in the same space, have almost nothing in common. On the contrary, they often send completely contradictory signals.

Take the power industry, for example. In one of these worlds, mediated for example by NGO magazines or news distributors, I read about the constant increase in energy consumption, impending peak oil, ever-rising pressure on oil extraction in the territories of the original inhabitants, as well as about ecological impact of mining of uranium, which is also to be depleted soon. Then I have a peak into the other world, as reflected by the Czech media. And immediately, I get at peace: the world is fine, we are safe and have no reason to worry. And if there is any problem, the invisible hand of market and visible support of nuclear energy will solve everything. In a recent interview, the Czech prime minister Nečas called the guaranteed purchase prices of renewable resources a "deformation of the market", "relic of socialism" and "Euro-fashion". Then in the same breath he stressed that when it comes to energy (this time meaning nuclear energy), we cannot rely on the market, but the prices must be subject to the requirements of the energy security of the state.

Economic growth is a blessing

A similar dissonance can be perceived in the area of economic growth, and not only in the Czech media. If we open the BBC website and type "economic growth", we receive loads of links to news moaning about the slowdown of the economic growth or cheering about its acceleration, which means an economic recovery. This single numeric indicator daily attracts attention of millions, wrinkles the foreheads of the powerful ones, or smoothes their faces in a smile. In this world, everybody agrees that economic growth is something good that must be supported. It is one of the key objectives of the economic policies of the states and political parties. And why not? What should be wrong about it?

Economic growth is an increase in Gross Domestic Product (GDP), i. e. an annual increase in the financial value of goods and services produced in the particular state. If we produce more this year than the previous year, we can also consume more. Or we can sell it abroad and use the money earned to buy something, which will increase our income and the value of our currency. The more we keep producing and selling, the more money will be pouring into the state purse, for example through the VAT or taxes on profits. And last but not least, economic growth means that there is greater purchasing power between the population, businesses and people have confidence in the

economy and take out credits, existing businesses are expanding their production, new plants are being opened, new houses built, and all this may mean new debts, but also new jobs. And the jobs are what matters the most in the world of mainstream economy and politics.

We do not want to grow, we want to enjoy

Nevertheless, there is still the other world, where the things are seen differently. It doggedly asks for attention and produces more and more books, articles, seminars and activities. There is even a movement, which bears the motto of *décroissance* or *degrowth* on its shield. This concept expresses the desire and willingness not only to end economic growth, but even promotes the *ungrowth* or *degrowth*, i. e. gradual and voluntary controlled reduction of the current values of the GDP. According to the advocates of the *Degrowth* movement, these values are environmentally unsustainable, and moreover decrease the quality of life, at least in countries like France – for instance by pushing the society to ever rising consumption at the expense of sensory experience, relationships, friendships, or time to appreciate the silence and beauty of nature. Or by strengthening the rise of poverty and inequality.

The *Degrowth* movement, which has the strongest base in France and Spain, works as an informal open network. Its followers organise regular events, such as the *Buy nothing day* in November, or the four-week *Degrowth parade*, the first of which took place in the summer of 2005. They also publish their own bulletin named *Décroissance: Le Journal de la Joie de Vivre* (Degrowth: The Magazine of Joy of Life), run online discussion platforms and even set up a political party (www.partipourladecroissance.net). However, it also has a strong academic wing that has already organized several big international conferences (the first two in Paris and Barcelona) and seeks to legitimize *degrowth* as an independent research direction in economic and social sciences. It should try to define degrowth more clearly and search for the ways of and obstacles to its achievement.

Growing means getting bigger

We have to say that the *Degrowth* movement draws rich inspiration from the past. Already at the end of the 1960's, the American economist and Nobel Prize laureate Kenneth Boulding wrote that we must move from the "cowboy" economy (in the wide prairie the cowboy can consume anything and throw it away, the slogan of the day is competition and initiative) to the economy of the "spacecraft" (we are many and our resources are limited, therefore saving resources, recycling and cooperation are appreciated). Soon after him, E. F. Schumacher said in the book *Small Is Beautiful* that the economy could not grow all the time, because it would need more and more energy, and its consumption will cause a number of problems, including climate change. Approximately at the same time, the Club of Rome published the famous report *The Limits to Growth*, in which new computer models were used to show that the mineral resources cannot be consumed endlessly. In the 1970's, an until recently less-known economist of Romanian origin, Nicholas Georgescu Roegen, also attempted to envisage the consequences of economic growth through the prism of the second thermodynamic law. Today he is celebrated as author of the concept of degrowth.

His disciple, a well-known American environmental economist, Herman Daly, developed another of his concepts, the *steady state* economy. He claimed that respective countries should change their macroeconomic targets and try to reach not the maximum, but the optimal size of their economies. Otherwise they are asking for trouble. But what kind of trouble?

As said by Boulding, one big problem is that when something is growing, it's getting bigger. If the country produces every year two percent more goods and services than the previous year, the mainstream world rejoices that there is a steady growth. But in fact, it only means steady increase in percentage. In absolute numbers, this increment will always be slightly higher than the previous year. The second, nudging world therefore points out that the apparent stability of growth masks its exponential nature. That means the real value of produced goods and services doubles at constant intervals. If our production grew every year just by one percent, our production of goods and services would double approximately every 72 years. If we produced every year three percent more, the production would double approximately every 24 years. With the growth of six percent it doubles every twelve years. It reminds us of a fairy tale about a wise man who asked the king only for a modest reward for his advice: as many grains as will fit in a chessboard, when you put one grain on the first square, two grains on the second square, four grains on the third square etc. The amounts of the grains kept doubling and the king, at first pleased by the modesty of the wise man, soon understood that he wouldn't be able to reward him even if he gave him all the grain in his kingdom.

What is growing?

In the mainstream world, it is rarely mentioned that the growing economy needs for its existence more and more energy and raw materials. Especially an economy that expands exponentially. In case this topic is open, it is often stressed that there is no reason to worry. There will be so-called *decoupling* or *dematerialization*. Technological development is going forward, so in some time we will be able to produce much more with significantly smaller inputs. Reportedly, it is already happening in some countries. In the "elf economies" of the Scandinavian countries, the production is growing without increasing energy and material consumption. On the website of the Czech Green Party we find information about the green growth: we just have to target investments to energy savings and energy saving technologies.

However, in the world sceptical about the mainstream, they cease to believe in dematerialization and the green growth. At the 2nd international Degrowth Conference in Barcelona in March 2010 (www.degrowth.eu) it was openly discussed that many years have elapsed since the release of the famous book *Factor Four* (which promised doubling wealth and halving resource consumption), and despite the increase in efficiency, the consumption of resources is still not decreasing. I blame the Jevons paradox (i. e. technological progress increases the efficiency with which a resource is used, but the rate of consumption of that resource rises because of increasing demand).

And where does it come from?

Similarly, if we do not have detailed information about the economic "metabolism" of the given country, the statistics of the "elf economies" cannot convince us. Low consumption of energy or material resources in these countries can simply mean they were smart enough to import the materially and energetically demanding products from elsewhere. For example from the Indian state of Odisha (formerly Orissa). Survival International informed that there is a pressure in the tribal territories to approve several dozens of large mines, steelworks and aluminium plants, and related constructions of water plants to provide them with energy. Economic growth escalates the battles for resources between local people on one hand and corporations and governments on the other hand. And the powers are not equal at all.

The issues of economic growth thus also relate to interaction of the global South (the so-called Third World) and the global North, and the meaning of the word "development". Do development and industrialization and economic growth mean the same? And if so, who is growing poor and who is getting rich? According to the Indian economist, Prabhat Patnaik, at the beginning of the 21st century, the poor people are the ones, who are getting even poorer. It is not just about privatization and liquidation of natural resources, on which they are dependent. The whole process is much more subtle. The sales of small producers are dropping and they lose the opportunity of more profitable, direct sales to the customer. For example, a basket maker cannot sell any more his basket to a customer directly on the market, but has to offer it through a corporation, which lowers his margin. Moreover, the buyer today often chooses to get a plastic bucket. That leads to continuous marginalization of large portions of Indian population. But the GDP index does not measure the polarization of poverty and wealth.

According to radical critics of the mainstream development model, like Karl Polanyi and Ivan Illich, or the cultural anthropologist (and probably the most famous theorist of the Degrowth movement) Serge Latouche, we are all getting poorer in a way, because we consume the world and simultaneously we lose the ability to interact with it directly, without money. We are thus losing our freedom and an important source of creativity. We are becoming dependent on the monetary economy. However, this is just one of many dimensions of our life and the GDP only measures their size, while ignoring other dimensions: it does not reflect degradation of ecosystems or our non-monetary activities. Although the GDP does record the costs of road accidents, cleaning up of oil spills, or production of weapons, it counts them as positive values.

Ladder to heaven?

Voices calling for reassessment of the dogma of economic growth are getting stronger and occasionally break from the second world into the first one. In the Czech Republic we can mention Tomáš Sedláček. For example, the French President Sarkozy also refused the GDP as an indicator of welfare and proposed another one that would take into account the state of the environment or the ratio of work and leisure. Also the British alternative think tank New Economics Foundation (NEF) came up with new indicators of welfare, and also released a report on impossibility of further growth in the era of global warming era and peak oil, which was taken over by many media. Sedláček, Sarkozy, NEF... they appear on the screen for a while, everybody blinks in surprise and then returns to the first world and resumes closely watching the growth statistics.

A question emerges, why are we unable to cut ourselves off the economic growth? As it has been already said, all of us are getting poorer in a way, but some of us are actually getting richer in terms of increase in their monetary income. Even in the debate about global South, economic growth is often perceived as an engine that will help raise the standard of living. It points to the increase of the middle class in the countries like India and China. The story of the general abundance that will be brought by economic growth in combination with technical progress is still quite strong and convincing.

Dilemma of growth

The second reason that makes politicians watch growth statistics with tension is so-called dilemma of growth. Our system depends on growth. This dependence has deep historical roots. The discovery of

machines capable of using fossil fuels led to massive loss of jobs, which caused people to move to other sectors. New operations were created; more products and services were offered, often due to the "export-led growth", where all surplus products were exported. This could have led to unemployment in the target country, but this country also had a safety valve in the form of economic growth. In the "cowboy economy" people who lost their jobs could easily find other job, set up a company, or develop a new product.

Meanwhile, the monetary system was also developing. Banks started to lend to entrepreneurs much more money than they actually had in their vaults. They were getting it back with interest and re-lending it, to companies, consumers, governments. Financial power of bankers was growing, along with the indebtedness of society, and the need to pay interest contributed – and still contributes – to the pressure on efficiency, which results in further reduction of jobs. Today economic growth serves as a tool not only for creation of jobs, but also for preserving the interest in loans. We get most of our money in the form of debts, we have to keep borrowing, otherwise the amount of money in circulation would drop, which would lead to other strengthening feedback and destabilisation of the whole system.

How to build a cargo sailboat

This system was working, or at least it appeared to work, while there were enough fossil fuels available at low prices. According to the system analyst David Korowicz, however, the time of economic growth is over and the upcoming period, as claimed by Richard Douthwaite, will be characterised by sharp oscillations accompanied by long-term declines. High prices of oil will cause economic depressions, which will lead to decline in demand for this raw material. As a consequence, its price will fall and the oil companies will stop making new explorations, which will not pay off. The falling prices of oil will revive the demand, which will again lead to rise in prices, and since the resources of oil will be diminishing, the prices will go even higher. That will lead to another depression... Korowicz assumes that such economy will not be able to maintain complex systems as energy, transport or internet networks. The availability of oil and fossil fuels is closely linked to prices of food and many other products.

In his analysis in the book *Fleeing Vesuvius* (edited by R. Douthwaite and G. Fallon), Korowicz expresses scepticism about smooth transition to *degrowth*. Nevertheless, the book contains a number of other interesting essays analysing the path to such a transition in a variety of contexts. For example, R. Douthwaite goes into a deeper analysis of how to introduce a currency not based on debt. Oscar Kjellberg, a former director of JAK – a Swedish interest-free bank – describes an interesting alternative to the current banking system: a local cooperative bank that would not require interest, but a share in profit. We can also find here instructions by Dmitri Orlov how to build cargo sailboats after the collapse of the industrial world (from a home-made cement and iron fittings from decaying industrial buildings).

The introduction to the book (which resulted from a conference of an Irish think tank Feasta in 2009) was written by the Irish Minister for Communications, Energy and Natural Resources, Eamon Ryan, a member of the Irish Green Party. He quotes *The Limits to Growth* and talks about the need for new financial models in the post-crisis period and for a controlled withdrawal towards renewable resources. He further enumerates a whole range of measures that have already been taken in Ireland. Is it possible that there would finally be an overlaps of the two opposing worlds? In any case,

I hope that the Czech Republic is also getting to the point, where it will be able to discuss the key topic of economic growth. It seems it is really high time to start.

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