Post-growth societies for the 21st century

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Background: an inaudible discourse on growth

Since the 1970s, growth rates in the wealthiest European countries have been sluggish, if not in decline, and Europe is not the only region affected. For the generations born after the 1970s, in the wake of the thirty-year post-war boom, the political discourse on the return to growth is becoming increasingly outdated.

Some leaders are hoping for a return to the thriving post-war decades or the onset of a new industrial revolution, while others would be quite content with an annual 2 per cent growth rate once the crisis has passed. Moreover, for the vast majority of politicians, growth is synonymous with prosperity: more growth is needed to create more jobs, reduce inequalities, maintain the quality of the welfare states and, ultimately, make people happy.

These political discourses on growth are thus doubly dissatisfying. Unfortunately, authors who are developing alternative ways of thinking about growth fail to address this dissatisfaction. First, because the demonstration that the end of economic growth is inevitable given the finite nature of the world seems to us far from robust, just like the hopes for a new wave of growth buoyed up by green technologies. Second, the literature on growth indicators that could replace GDP indeed addresses the paramount social and environmental objectives, but often says too little about the role played by GDP growth in reaching these objectives, whether in the area of employment or income equality or access to essential services such as healthcare and education.

To respond to this dissatisfaction with the political and media discourse on growth, the IDDRI report entitled ‘A Post-Growth Society for the XXIst century’ attempts to answer, as far as possible, the two following questions:

1. Can we have any certainty about the future of growth?

2. Assuming that the coming decades will be a period of weak growth, fluctuating between an annual 1 per cent growth and a stagnant GDP, can we still prosper?
To answer these questions, we have studied the economic literature, organised seminars bringing together practitioners, policy-makers and experts, and carried out a modelling exercise to investigate the links between the energy–climate nexus and the economy.

**Is there a future for economic growth in the developed world?**

Growth rates exceeding 1 per cent a year are a recent phenomenon in the history of humanity and those seen in the post–World War II years in Europe are something of an exception. Growth is the result of complex mechanisms that can be linked up with factors such as the composition of the economy (tertiarisation), the diffusion of new technologies with a strong transformative potential, energy and the nature of a state’s social compromise. However, economists are clearly quite unable to establish robust forecasts covering several decades.

Economic growth has been declining for the last forty years in the rich countries, and a weak-growth situation could well persist, or even worsen. In fact, it is not inconceivable that today’s new technologies may prove to be less radical than those that drove the industrial revolution, or that the tertiarisation of the economy underway in industrial countries is resulting in slower productivity gains, particularly in those countries that have opted for development models based on education, healthcare, caring for the elderly and, more generally, on ‘personal’ services.

On top of this, there are challenges involving energy resource scarcity and global greenhouse gas emissions. Here, too, we find a great deal of controversy. While some consider economic ‘degrowth’ to be inevitable, others believe that these environmental challenges present a fantastic opportunity to return to growth and start a new industrial revolution. As we have seen, the current state of natural resources is sometimes worrisome. Yet, to understand the possible macroeconomic impact of energy resource scarcity or emission reduction, it is necessary to call on an economy–energy–climate model such as the CIRED (International Conference on Electricity Distribution) model used by IDDRI. Our findings show that while the most pessimistic scenarios are confirmed (for energy resources, trends in the cost of low-carbon technologies and lifestyles), the macroeconomic impact may be several tenths of a percentage point of annual growth and may be even stronger during the transition period, spanning the next twenty years. Moreover, if growth is already weak, this represents a substantial drop.

There is thus ‘radical’ uncertainty about the future of economic growth. Our future policy choices and the technologies that we invent in the coming years are uncertain. This opens up a large range of possible economic pathways, with an equivalent number of growth
outcomes. And the eventuality of low growth rates – floundering around 1 per cent, stagnation or worse – is not to be excluded.

Can we prosper without growth?

In political discourses, growth and prosperity are often synonymous. Yet it would appear from this report that adapting to very low growth rates does not mean abandoning the objectives pursued by public authorities to reduce inequalities in wealth, social protection and life satisfaction.

The links between growth and prosperity are much weaker than is generally imagined. There is, in fact, no correlation between happiness and long-term growth in the richest countries, any more than between employment and long-term growth. Employment and growth appear to be strongly correlated in the short term, but many economists contend that it is not so much growth that drives employment as employment that helps restore growth; that there is no need for growth in order to create employment, but rather a tautological need for ‘employment policies’ (labour market, industrial strategy, wage policy, public-sector employment, etc.). Likewise, although happiness and growth are strongly correlated in the short term, this is primarily due to employment: what people need to feel happy is not so much growth as jobs. In political discourse, the detour via growth is very often unnecessary.

On the other hand, the links between growth, long-term inequality and social protection are much more tenuous. Weaker growth deepens income inequality over the long term, but equality seems to be crucial for self-reported happiness and the efficiency of healthcare systems. A low-growth society thus needs to redouble its efforts as far as redistribution is concerned.

Similarly, we observe that weak growth complicates decisions on the trade-offs required to secure the financing of pay-as-you-go pension systems: without growth, there is more reason to step up contributions and/or work longer and/or decrease pensions relatively. The same holds for the health sector: with rising demand for health in a low-growth context, the need arises to increase contributions and/or cut expenditures and/or radically reform the system. Ultimately, without a ‘bubble of oxygen’ from growth, we need more reforms, more political action.

Unfortunately, a weak-growth context puts a powerful brake on policy, whether the goal is to reduce inequalities or reform the social protection system. Since the pie is not growing as fast as it used to, it is more difficult to modify the distribution of wealth between workers and rentiers, active and inactive workers, or arbitrate collectively between public and private
health services. A weaker growth regime thus imposes more arbitrations and renders them even more politically sensitive.

By way of conclusion, a brief reminder of what we have outlined above: the analysis shows it is not so much society’s economic growth that matters, but rather the individual and collective choices that we make: whether or not to adopt a development model based on ‘personal’ services, or to achieve our climate objectives. These choices will lead to different levels of prosperity and economic growth. The level and growth rate of GDP are above all the outcome of our choices of development paths, and do not determine the prosperity of the industrialised countries. This conclusion may appear trivial to some, but it is nonetheless fundamental. The ‘detour’ via GDP growth to reach the destination of prosperity, which is operative in many political discourses, seems in many respects pointless and – after decades of weak growth – outdated.

It is now time for policy-makers to take a fresh look at growth, accept the radical uncertainty surrounding its future, and construct, first of all, a positive narrative for the future with no reference to growth and, then, a society that is able to concretely free itself of the shackles of growth: a post-growth society. We hope that we have given them some food for thought, so that policy makers will make themselves heard once again by the generations born after the post-war boom. We also hope that we have been able to encourage researchers to deepen the questions that have been left open – post-growth macroeconomics still remains to be built.

Notes

1. Research Fellow Growth and Prosperity, Institute for Sustainable Development and International Relations (IDDRI).

2. Do policies have an optimistic leaning as far as growth is concerned? We consider that this is often the case for medium-term and long-term growth, as evidenced by the hopes for a new wave of growth, and also for short-term growth (take, for example, the French Government’s growth forecasts over the last ten years, which have overestimated the growth rate for each following year by nearly one percentage point – which is to say, by as much as the average growth rate over the same period). Obviously, in the short term, we have the example of the public deficits that have worsened in recent decades. But is overestimating long-term growth of grave concern? The answer is no – as long as today’s policy actions do not make it imperative to achieve high growth rates.