

Managing without Growth

Peter Victor

Looking out to 2050 one of the big questions facing countries around the world, especially rich countries, is the place of economic growth in the panoply of societal and government objectives. It is only since the early 1950s that the deliberate pursuit of economic growth has been an explicit policy of governments in Western countries. At first it was adopted as a requirement for full employment but it soon became an important policy objective in its own right. More than that, by 1960 economic growth had become the overarching economic policy objective in many, many countries, virtually synonymous with progress and who could question that?

A half century later there are at least three good reasons for questioning the dominating place of economic growth as a policy objective, particularly in rich countries. First is the realization that economic growth as we have known it imposes an increasing burden on the natural environment to supply resources and dispose of wastes. In so doing expanding economies have disrupted the capacity of natural systems to provide environmental services. If the world's poorer and poorest countries are to benefit from economic growth through the 21st century then rich countries should look to managing without growth simply to leave room for those whose need is greater.

Second, there is mounting evidence that beyond a level of income far surpassed in rich countries, further increases in income contribute very little to people's happiness and well being. Third, economic growth has not lived up to its billing. Taking Canada as an example, over the past several decades there has not been full-employment, poverty has not been eliminated (by some measures it has increased), incomes and wealth have become more unequally distributed, and some crucial environmental problems have got worse.

Considering this record, can rich countries manage without growth? Some recent empirical work (again using Canada as an example) and policy analysis suggests that it may well be possible to have full employment, eliminate poverty, reduce environmental impacts, and maintain fiscal balance. (www.managingwithoutgrowth.com).

While much is left to complete the picture it is worth knowing that continued economic growth is not essential for rich countries to prosper. This is not to say that zero economic growth should be adopted as a policy objective. Rather that we should not be afraid to implement policies or to change how we work and live because it may be bad for economic growth.

As Simon Kuznets, one of the originators of GDP made plain, it is not a meaningful measure of well-being. "The welfare of a nation can scarcely be

inferred from a measurement of national income... Goals for “more” growth should specify of what and for what.” As we think about heading to 2050, we should pay far less attention to annual, quarterly and now monthly changes in GDP and instead, turn our attention to objectives that really matter.