Prosperity without growth: lessons from the economic crisis

Is it possible to achieve prosperity without economic growth? This is the question asked by a recent report, which suggests that the current economic crisis provides a key opportunity to reform economic systems with added benefits for the environment.

The global economy is nearly five times the size it was fifty years ago. This unprecedented level of growth places huge demands on limited resources and has degraded an estimated 60 per cent of global ecosystems. Business cannot continue as usual and although the current crisis is uncomfortable, it could provide a unique opportunity to jointly address financial and ecological sustainability.

The report asks how ‘prosperity’ should be redefined. The current economic crisis has been caused by systemic problems rather than solely by banking malpractice, it claims. While prosperity requires some economic growth, there is a limit. The report demonstrates this by comparing GDP with life expectancy, infant mortality and an index of education.

The statistics indicate that the advantages of a richer nation have diminishing returns and some countries are flourishing in terms of health and education, despite lower income, for example, Cuba and Chile. Alternatives to consumption-based measures of GDP are needed, preferably with a social and psychological dimension.

The report also investigates ‘decoupling’– the delinking of economic growth and environmental impact. It stresses that we must clearly differentiate between ‘relative decoupling’ and ‘absolute decoupling’. Relative decoupling slows the rate of environmental impact in relation to economic growth by promoting efficiency, whereas absolute decoupling breaks the link entirely by actually reducing impact.

There is evidence of some relative decoupling. For example, the global carbon intensity (measured here as the amount of carbon emitted per US dollar) has dropped by almost a quarter over the past 25 years. However, total carbon emissions have actually increased by 80 per cent. Absolute decoupling has thus not occurred, but is essential to remaining within ecological limits. How this can be achieved with a growing, and increasingly wealthy, global population remains unclear.

The standard response to the economic crisis is public spending and tax cuts. However, targeting investment towards energy security, low carbon infrastructures and ecological protection would provide employment, recovery and technological innovation. A ‘New Green Deal’ could incorporate policy measures such as fiscal support for green industries and technologies, limits on per capita emissions and waste, and a global technology fund.

For these policies to succeed, a new ‘macro-economic’ model is needed. Macro-economics looks at the bigger picture – the behaviour of an economy as a whole. First and foremost, the new macro-economics must abandon the notion of growth in material consumption as a basis for economic stability. To do this we must shift away from the so-called ‘iron cage of consumerism’, using policy measures such as advertisement-free zones and times in the media.

In addition, new structures are needed to reduce materialism, for example, improving the work-life balance and better equality measures. Social inequality drives consumption to achieve status, increases anxiety and reduces life satisfaction, the report writes. Taxes designed to redistribute wealth, better access to education and anti-discrimination measures are examples of policies which could address inequality.

The financial crisis has demonstrated that the current model of economic success has flaws. In order to progress, we need to investigate how to achieve prosperity without growth and redefine our systems.

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