Social Welfare Politics Cannot Ignore Growthmania

We critically question some arguments Jakob and Edenhofer (2014) put forward in their article Green Growth, Degrowth and the Commons: Is the idea of “a-growth” reasonable? Will the proposed concept of welfare indicators fulfil its promises? Is the claim realistic to finance the implementation of welfare indicators by environmental economic instruments? We consider growth too pervading as to ignore it, claim that implementing welfare indicators must be tuned to the country concerned, and suspect the proposed instruments to finance welfare politics will be refuted as they might impair economic growth.

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In a recent issue of the *Oxford Review of Economic Policy*, Michael Jakob and Ottmar Edenhofer argue that the concepts of “green growth” and “degrowth” are inadequate to help find the right balance between human well-being and environmental integrity. Instead, they propose a policy aimed at social welfare. In this issue of GAIA, Irmi Seidl and Angelika Zahrnt as well as Reinhard Loske hold against them that the prevailing growth paradigm cannot be ignored when facing the challenges of sustainable development. The concept of welfare indicators appears difficult to operationalise (Seidl and Zahrnt) and quite apolitical (Loske). As Jakob and Edenhofer claim in their response, welfare diagnostics does not advocate a materialistic world view, but can serve as a guide for public policy formulation.

In the *Oxford Review of Economic Policy*, Jakob and Edenhofer (2014) published an article on *Green growth, Degrowth and the Commons*. The main points made are that economic growth and gross domestic product (GDP) should be ignored in public policies and that public policies should be based on a new social welfare concept, called welfare diagnostics. Growth may or may not result from this concept; but growth would only be a means and not an end. Hence, the authors express sympathy with the idea of “a-growth” (Van den Bergh 2011). The welfare diagnostics proposed consists of important indicators (the authors also call them capital stocks) that capture the multiple dimensions of social welfare with a minimum threshold of accessibility and availability. Examples are public infrastructure, material requirements, health,

education, environmental quality, employment, equality, global market stability. Compared to the many welfare indicators developed and discussed in recent decades – often out of a desire to improve social welfare as well as to contribute to a reduction of environmental resource consumption –, Jakob and Edenhofer (2014) highlight the idea of commons, which are to be understood in a broad sense and which should be included in welfare objectives and hence in public policy. Such a policy may also focus on public infrastructure and institutional structures. The authors suggest financing the resulting welfare policy by correcting the non-optimal use of existing capital stocks and by appropriating rents. This may include taxation, in particular of immovable property, auctioning of environmental use or emission permits, and state ownership. The aim is to assure a minimum level of social welfare for all.

When reading the paper, some doubts arise whether the propositions made have the potential to be a “guide for real-world policy formulation”, as Jakob and Edenhofer (2014, p. 447) claim.¹ We will raise three critical questions here:

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¹ For further critique on Jakob and Edenhofer's (2014) argument cf. Loske (2015), in this issue.

1. Is it reasonable to just stop the growth debate or ignore it because – as seemingly Jakob and Edenhofer (2014) (and others too) think – this debate has no (useful) implications on real-world policy formulation and cannot contribute to improved environmental and welfare policies?
2. Do the proposed social welfare indicators allow for “recommendations for how to make these criteria operational for public policy decisions”, as Jakob and Edenhofer (2014, p. 459) claim who criticise the French Commission on the Measurement of Economic Performance and Social Progress exactly for not developing such recommendations.
3. Why should the proposals of Jakob and Edenhofer (2014) on how to finance the proposed welfare policies be implemented? For instance, they ask for correcting nonoptimal use of existing capital stocks by taxing inefficient use or auction permits and by tapping rents of fixed factors such as land and subsoil resources. However, proposals such as the ecological tax and finance reform have been widely refuted for the last three to four decades.

Economies and Societies Are Addicted to Growth

First, as some scholars of the growth debate have highlighted, growth has been deeply engrained in the whole texture of Western societies and economies since the Second World War so that it is not a question of whether we ignore growth or not. In fact, we rely on growth: growth is a “mental infrastructure” (Welzer 2011), it has colonised our lifeworlds (Latouche 2007), has become the ultimate world religion (Miegel 2010), is the reason for

planned obsolescence of products including ever accelerating fashion cycles (Slade 2007, Røpke 2010), is an “axiomatic necessity” to mainstream economics (Georgescu-Roegen 1977, p. 266), is engrained in the monetary system (Binswanger 2006), has become “growthmania” (Mishan 1967), is a precondition for the dynamics of capitalism (Braudel 1985, Schumpeter 1980), has been built into our major societal and economic institutions since the Second World War such as in social security and public finances (Seidl and Zahrnt 2010, 2012). Moreover, GDP, which is the measurement of growth, has become an all-pervading indicator not just in economics, but also in politics and mass media since the aftermath of the Second World War (Lepenies 2013, Schmelzer forthcoming). Not surprisingly, the critical debate about growth has been going on for a long time dating back to Mill (1848), Hicks (1966), Meadows et al. (1972), Hirsch (1976), Binswanger et al. (1978), amongst many others. Since the ongoing economic crisis of 2007, growth criticism has gained new fervour and more than ever, the debate about economic growth has become a cultural and broadly led debate. This debate includes our economic, societal, political systems, our institutions and indeed how we live. The debate also includes what we consider well-being and social welfare to be, and what we strive for. To think that growth can just be ignored and as a consequence politics will also ignore growth is quite academic and simply not oriented to the real-world context. Rather, politics in favour of growth is continuing and intensifying the many crises we are facing.

Take as an example the present European stagnation: in order to trigger growth, the European central bank is flooding the financial markets with new money, which causes various bubbles and creates financial, economic and social turmoil. Another ex-

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FIGURE:

Benefactors of economic development or victims of growthmania? Workers at the Chinese company Toy State, province of Guandong, making toys for the US retailer Wal-Mart, 2004.

ample is China, which – amongst others – tries to overcome its growth drop by constructing new megacities for 450 million people by 2025 and relocating the rural population into these towns. This will trigger growth in the construction sector, public transportation, utilities and appliance makers, and turn the rural people into modern consumers, allowing them to enjoy “the benefits of economic development” (Johnson 2013) (see figure).

In a nutshell: our economies and societies are addicted to growth. To advise an addicted person to ignore his/her intoxicant is futile. Rather, he/she would have to engage in a long process of self-inquiry, reflection, relinquishment, and change of context. Transferred to our topic, the process to get rid of the growth addiction demands a lot of reflection and discussion, and has to include society, academia and real-world policies.

Welfare Indicators Must Be Tuned to the Country Concerned

Second, Jakob and Edenhofer (2014) have set out to enlarge and correct the welfare theory by referring to important debates such as the ones about capabilities and about commons. Moreover, they claim minimum thresholds of basic indicators (they call it capital stocks) essential to welfare. Yet, their discussion is partly one about the emperor's new clothes; there has long been a discussion on human needs as well as indicators of social welfare and on development goals, which is denoted only to a limited degree. Jakob and Edenhofer (2014) themselves stop short of making their criteria and indicators operational for public policy decisions as they ignore the context-dependent perception and institutional dimensions of these indicators.

Take as an example education and employment, which they consider as two of the basic indicators: Indeed, for decades (higher) education was fostered by international economic development agencies, including the Organisation for Economic Co-operation and Development (OECD). Yet, in Egypt, e.g., currently 82 percent of the many unemployed youths hold a diploma or university degree (Frefel 2014). The situation is similar, though less attenuated, in European Mediterranean countries. Slowly, it has become clear that education in Egypt as in many other countries is far from being sufficiently oriented towards the stages and needs of the labour markets. Moreover, the resulting unemployment, added to the overall idea that employment is full-time employment, puts even more pressure on politics to foster economic growth. Often, an easy way to get employment and public revenues for distribution is growth in the real estate sector or growth in extractive industries or indebtedness. However, all these are prone to be straw fires of economic development and to merely create bubbles. Yet, the discussion about a post-growth society raises the topics of education and employment in a new way (Seidl and Zahrt 2010, Chancel et al. 2013). It stresses that new concepts and aims of education together with a shift away from the idea of full-time employment for all is needed if there is an attempt to achieve the objective of full participation in the labour

market for all, or at least many more than now. Victor (2008) and Jackson (2009) raise similar concepts regarding full employment.

To sum up, this current debate of Jakob and Edenhofer (2014) about indicators of social welfare is important, but to be useful and operational for public policy decisions it has to be discussed and adopted with regard to the specific economic conditions and institutional settings of a country and its society. This would also reveal very different welfare and development needs as far as early industrialised, emerging or developing economies are concerned. However, it looks as if Jakob and Edenhofer (2014) primarily focus on emerging and developing countries without stating this. As the needs and conditions for social welfare are so different depending on the level of economic and societal development, a generalisation can only be at most inadequate.

These examples stress the importance of an institutional approach to the topics of growth and welfare as both are tightly intertwined in our societies and our economic setup. At the same time, growth is more and more about to impair welfare. An example is the health system. It is one of the last sectors that grow reliably. But the growth in expenditure surpasses that of revenue. As this has been going on for quite some time now, healthcare services are being increasingly curtailed, leading to a two-tier medical system. Nevertheless, understanding the growth drivers in the health system would open up the possibility to constrain them by modifying the setup of the system, so that the focus returns to the health of the people, which may lead to policies that improve health without ever increasing budgets. Prevention, education, individuals taking responsibility, and low-cost health services are elements to supplant a growth producing technical medical system. Understanding the growth drivers in the health system would also lead to questioning public policies that protect and highly subsidise those food sectors such as meat, other animal proteins, and sugar, which give rise to highly cost-intensive lifestyle diseases.

Financing Welfare Policies with Economic Environmental Instruments Will Fail

Third, Jakob and Edenhofer (2014) elaborate on propositions on how to finance their proposal to assure a minimum level of welfare indicators for all. Although their propositions go beyond those of ecological tax and finance reform, these latter are the more realistic to be discussed. Reading their article, one has some doubts whether the authors are aware of the more than three decades of debate and claims for ecological taxes and other environmental-economic instruments, such as cap and trade as well as emission/use certificates (e.g., Binswanger et al. 1978, Nutzinger and Zahrt 1990, von Weizsäcker and Jesinghaus 1992 and many more), and the fact that the claims have had limited success so far (admittedly, there are a couple of countries that have introduced some more or less far-reaching economic instruments to reduce the burden on the environment, cf., e.g., Withana et al. 2013). The important question is: what are the barriers for introducing such convincing instruments, which even mainstream economists would

support? The advocates' experience and answer is that economic growth is the main argument against economic environmental instruments. Such instruments raise prices on environmental resources which may have stalling effects on economic growth. Following everyday experience that low resource prices are good for growth, politicians will try to keep resource prices low. This is why they have largely ignored environmental economic instruments. Hence, we are back at the growth debate: the overarching drive for economic growth prevents environmentally benign policies. The propositions of Jakob and Edenhofer (2014) on how to finance their welfare concept may meet the same fate.

As a final note, our societies are increasingly confronted with the fact that the growth paradigm cannot (anymore) fulfil its promises of full employment, happiness, social equality, along with healthy public finances. On the contrary, the growth paradigm increasingly creates problems such as ineffective and harmful growth policies, indebtedness, environmental problems, and the social and psychological cost of an all-pervading consumer culture. Moreover, an increasing number of people want to question the concept of growth – not just its economic dimensions, but also the widespread mental and cultural idea that growth is normal, good and indispensable, and more of it is always better. Parts of the broad public soberly recognise that growth rates dwindle for various reasons such as saturation with goods, services and infrastructure, demographic change, post-materialistic values, widespread public and private indebtedness. Add to this the simple mathematical fact that linear growth such as witnessed in the last decades forcibly involves declining growth rates. Furthermore, many people are aware that for environmental reasons we cannot go on growing permanently as long as there is no absolute decoupling, however unlikely. Various and fundamental transformations seem essential to adapt to and shape the post-growth era. This awareness seems to be more widespread with the public than the majority of politicians and economists.

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