Bigger isn't Better

Contributed by Peter A. Victor
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There's nothing like a good crisis to make us rethink old ideas. The depression of the 1930s led to the rejection of the prevailing idea that unemployment would right itself if only people would work for lower wages.

Governments could do very little to help. These ideas were overthrown by experience...

and by the invention of modern macro economics by British economist, John Maynard Keynes. By the end of World War II, most Western governments had adopted Keynesian economic policies designed to ensure that total expenditures were sufficient to maintain full employment.

Keynesian economists soon discovered that full employment today meant a bigger economy tomorrow because some of the investment expenditures required to keep unemployment down: on infrastructure, buildings and equipment, also expanded the productive capacity of the economy. So does an expanding population and labour force. Initially, governments pursued economic growth to meet the more pressing concern of maintaining full employment, but this soon changed. In the 1950s, economic growth became the number one economic policy objective of governments and all others, such as productivity, innovation, free trade, competitiveness, immigration, even education, became a means to that end.

Until a year or so ago all seemed to be going reasonably well. Then came the breakdown in the financial sector followed quickly by a recession that through globalization, spread further and faster than swine flu. Now governments are congratulating themselves for acting together to stimulate spending to get the economies back on course, much as Keynes might have recommended. But times have changed since his day. World population has increased almost three times, world economic output has increased ten times and with this massive expansion of the human presence on earth, we are confronting limits to the availability of cheap energy, to fresh water, and to the capacity of the atmosphere to absorb increasing emissions of greenhouse gases. At the same time we are destroying the habitat of numerous species of flora and fauna and the security of our own food supplies is threatened.

It is time to rethink the old idea that the solution to all our problems lies in the incessant expansion of the economy. Rich countries like Canada should explore alternatives, especially if poorer countries are to benefit from economic growth for a while in a world increasingly constrained by biophysical limits. Some deny or simply ignore these limits and argue that economic growth in rich countries is necessary to stimulate growth in poorer ones. Others say that with 'green' growth we can expand economic output as we reduce the demands we place on nature through more efficient production, better designed products, fewer goods and more services, compact urban forms, and organic agriculture. While these measures may well help in a transition they are an unlikely prescription for the long term. What is required is a radical rethinking of our economies and their relation to the natural world.

Although no 21st century Keynes has emerged to prepare the intellectual ground for such a change in thinking, we do have a body of knowledge built up over many decades and now thriving under the name of 'ecological economics'. Ecological economists understand economies to be subsystems of the earth ecosystem, sustained by a flow of materials and energy from and back to the larger system in which they are embedded. It is understandable that when these flows were small relative to the earth they could be ignored, as they have been in much of mainstream

economics. Economists are not alone in treating the economy as a self-contained, free standing system largely independent of its environmental setting. It is a widely held view that environmental protection is just one among multiple competing interests to be traded off against the economy. And anyway, this mainstream perspective teaches that if resource and environmental constraints are encountered, scarcities will be signaled by increases in prices that will induce a variety of beneficial changes in behaviour and technology. Should this system of scarcity, price, response fail then economists can estimate 'shadow' prices which can be imposed directly through taxes or used indirectly through policies based on cost-benefit analysis to fix the problem.

To ecological economists, this is an inadequate response to the myriad problems of resource depletion, environmental contamination and habitat destruction confronting humanity in the 21st century. They question the pursuit of endless economic growth and contemplate a very different kind of future.

In my own work, I have examined whether and under what conditions a country like Canada could have full employment, no poverty, much reduced greenhouse gas emissions, and maintain fiscal balance, without relying on economic growth. Using a comparatively simple model of the Canadian economy I have explored scenarios in which these objectives are met. The ingredients for success include a shorter work year to reduce unemployment yet retain the advantages of technological progress, a carbon price to discourage greenhouse gas emissions, and more generous anti-poverty programs.

In such an economy, success would not be judged by the rate of economic growth but by more meaningful measures of personal and community well-being. We would adjust to strict limits on our use of materials, energy, land and waste, guided by prices that provide more accurate information about real rather than contrived scarcities. We would enjoy more services and fewer but more durable and repairable products, and we would value use over status when deciding what to buy. Rampant consumerism would be history, advertising would be more informative and less persuasive, and new technologies would be better screened to avoid problems to be fixed later, if at all. Infrastructure, buildings and equipment would be more efficient in their use of energy and we would think and act more locally and less globally. With more free time at our disposal we would educate ourselves and our children for life not just work.

Is all this simply wishful thinking of a sort that flourishes in troubled times? I think not. The undercurrent of discontent with modern life is rich with ideas for a better future, one that is not dependent on economic growth. For example, in March of this year the UK's Sustainable Development Commission delivered its report "Prosperity without Growth?" to the British Government endorsing and amplifying many of the ideas expressed here. The Centre for the Advancement of a Steady State Economy based in the USA has obtained over 3000 signatures on its position statement designed to help change the goal of the economy from growth to sustainability. At the local level, Transition Towns has spread in less than four years from the UK to many countries including Canada, to raise awareness of sustainable living and to build local resilience in response to the combined threats of peak oil and climate change. Even mainstream economists are moving with the tide. Nobel Laureate economist Robert Solow said last year: "It is possible that the US and Europe will find that either continued growth will be too destructive to the environment and they are too dependent on scarce natural resources, or that they would rather use increasing productivity in the form of leisure." Let's add Canada to the list and go from there.

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