Chapter 16: The Power of GDP and its Limitations

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Abstract

This chapter will discuss the relationship between Gross National Happiness (GNH) and Gross Domestic Product (GDP). It will discuss the background and the shortcomings of GDP as a welfare indicator. It will then discuss the possibility of a healthy economy in the absence of economic growth and go on to outline the role of the economy in a GNH perspective. Finally, it will discuss the role of business in a GNH oriented society.

1. Introduction

It is difficult to think of a news headline that worries people and politicians more than that the economy stopped growing. It will immediately generate a debate of what needs to be done to restore economic growth. A protracted recession makes it practically impossible for a government to be reelected, and strong economic growth will do more to increase the chances for reelection than even the most reflected and balanced political program.

When asked about this worry, people can name a number of plausible reasons why they are so worried: they see that economic recessions are times of rising unemployment and that public finances get under stress, among other reasons. In low-income countries, an additional worry is of course that the fight against poverty will be much more difficult in times of recession.

What is Gross Domestic Product? The idea behind the concept of Gross Domestic Product (GDP) was to measure the volume of economic activity by the total market value of all goods – material and immaterial – produced within a country within a given year. Due to conceptual difficulties to delineate economic production and also due to practical limitations of measurement, GDP is almost exclusively based on actual monetary transactions that can be observed (the most notable exception to this is the imputed rent homeowners are assumed to pay to themselves). The "gross" qualifier indicates that no correction is made for the depreciation of capital and infrastructure. GDP per capita has become the most widely used standard to assess a nations welfare because dividing the value of an economy's total production by the number of its inhabitants is usually considered a good approximation of an individual's (potential) standard of living. Economic growth is usually (including in this report) defined simply as the year-on-year change in a country's GDP (after correcting for inflation). GDP is a flow variable, which means that it measures some activity (in this case production) per time interval, typically per year. By contrast, a stock variable such as the amount of capital available is measured at a given point in time, describing a momentary state.

On the other hand, when countries do grow for extended periods of time, this does not seem to solve many problems, and it adds new problems. For example, depression rates, obesity work-related stress, drug abuse and many other afflictions of societies show no sign of improvement but are in many places deteriorating (Layard, 2005, pp.35-38; Wilkinson and Pickett, 2010, p.35). Since economic growth has so far always been associated with increased material and fossil energy use, it also increases the burden on our planet.

GDP, therefore, fails as an indicator of welfare, and it does so basically for three reasons (Stiglitz, Sen and Fitoussi, 2009):

a. As a measure of flows, it neglects the effect of economic activity on stocks. Another way of putting this is that GDP neglects the temporal dimension and therefore the question of sustainability. When a country sells off its natural resources, when a flood destroys millions worth of infrastructure or when economic activity contributes to climate change, welfare is clearly reduced – at least in the long run – but GDP does not reflect this.

b. As an aggregate measure, GDP tells us nothing about inequality. When GDP increases, this alone does not say anything at all about the living standard of the typical citizen or about the lives of the poorest (or of the richest for that matter). Without this information, however, it would be very controversial – to say the least – whether a nation's welfare has increased.

c. GDP largely ignores non-marketed goods and activities (except for a few estimated categories such as government services or home-owners' imputed rents). For example, changes in household work, voluntary work, the quality of jobs, crime or environment services are not reflected in GDP.

In addition, GDP lacks accuracy in various respects. Many components must be estimated, some are liable to erroneous reporting, and the estimation of the rate of inflation – used to determine the more relevant *real* rate of economic growth – is inherently imprecise. To be fair, imprecision will be a feature of any indicator of welfare, but the point is that GDP should not be portrayed as a uniquely precise instrument.

These shortcomings are largely acknowledged in economics. In fact, the intellectual father of GDP, Simon Kuznets, explicitly warned against interpreting GDP as a measure of welfare (Kuznets, 1934). However, economists, governments and the general public around the world still look at GDP figures as a welfare indicator and consequently strive after economic growth.

The reasons they have for doing so are not necessarily to be found in materialist or consumerist fixations. For low-income countries, a concern for economic growth may often be grounded in a sincere concern for poverty eradication that is, though perhaps not impossible, much more difficult to achieve in the absence of economic growth.

For high-income countries, GDP growth is not usually advocated in the name of raising material living standards. Instead, the main reasons given for pursuing economic growth in high-income countries are typically a concern for jobs, for an acceptable income distribution, for social peace, for healthy public finances and other objectives that require economic resources. Indeed, it would be awkward to advocate economic growth as an end in itself rather than as a means to achieve goals such as these that actually matter to the lives of people.
Gross National Happiness converges with this view of economic growth on a number of important points: In a GNH perspective, too, employment is of course an objective of paramount importance, and healthy public finances are a matter of fairness towards the presently living young generation as well as towards future generations.

However, taking some steps back from our conventional economic thinking, it would be very ironic if, despite our remarkable technological and intellectual progress throughout the centuries, our man-made economic system forced us to make our economies grow year after year and to have to accept an increase in work-related stress, in income inequality, in environmental degradation and other ills for the sake of avoiding disaster. If this were so, we would at some point in history have relinquished our liberty to choose to live well on our own terms rather than by the imperatives of a soulless economic system. If this is the case, then we have every reason to rethink the political and economic arrangements and choices that are depriving us of this fundamental liberty. The GNH perspective can be understood as an ongoing endeavor with exactly this objective.

Sustainable wellbeing without economic growth?

We need to understand the possibility and the implications of a society without economic growth, and for the right reasons. There is no point in being against economic growth as such because economic growth can in principle manifest itself in so many different ways. However, in the real world economic growth is often accompanied by developments that are unjust towards or detrimental to the wellbeing of presently living people or of future generations, and if these negative implications do not justify whatever benefits may come from economic growth, we are under a moral obligation to reduce these negative effects, and we should try to minimize any collateral problems that may entail.

At this point we once again need to make a conscious distinction between high-income countries and low-income countries. Even though, strictly speaking, the following considerations should apply to all countries, at least on a conceptual level, they may appear irrelevant or even cynical from the perspective of low-income countries. However, while development priorities are certainly different in low-income countries, even they should be interested in a sound long-term framework of good development. Thus, while the relevance of these considerations may indeed be more visible in the case of high-income countries, it remains true for all countries that good development should never be a one-dimensional pursuit of economic growth.

Employment

In high-income countries, the number one argument for economic growth is the view that steady economic growth is an indispensable prerequisite to keep unemployment from increasing. This view is backed by strong empirical evidence: it is true that there is a strong statistical correlation over time between low economic growth and increasing unemployment (a relationship known since the 1960s as "Okun's law"; IMF, 2010, p.81). There is also a highly plausible theoretical explanation for this relationship: as long as we have a gradual increase in labor productivity, over time we will need ever fewer hours of work to produce the same amount of goods. This implies that keeping up the demand for work (i.e., preventing unemployment from increasing) will require an increase of production – and thus economic growth.

The GNH perspective coincides fully with this view on the vital importance of keeping involuntary unemployment at a minimum. In addition to the evident short-term and long-term economic costs associated with high unemployment, there is overwhelming evidence that losing one's job is one of the worst life events in terms of its effect on a person's subjective wellbeing (Layard, 2005, pp.67-68).

Concluding from this that we have no alternative but to pursue economic growth would be wrong, however. For one thing, nothing forces us to react to a productivity increase and to the resulting fall in demand for labor with an increase in production in order to keep people in jobs: we can as well reduce the number of hours people work. If we do this in step with the increase of labor productivity, unemployment will not go up (or down) as a result because companies will need the same number of workers from year to year just to maintain a given output, and this will be met by constant demand for their products (because incomes should also remain the same when hourly wages increase at the rate of productivity growth and working hours are reduced by the same amount). Importantly, workers will benefit by gaining more leisure time.

General working time reductions are not pie in the sky: many European countries reduced the annual hours worked per employed person by around 20% in the decades following World War II, primarily by reducing the workweek and by extending holiday allowances (e.g., in Germany the reduction of hours worked was 22% between 1960 and 1991). Today, the enormous differences between countries (in 2010, an average fully employed person worked an average of 25% more hours per year in the US than in Germany) show that there is a huge potential for working time reductions in some countries simply through convergence to the level of many European countries, even before talking about more radical proposals such as a general 21-hour work week (nef, 2010).

Another way to maintain full employment without generating economic growth would be through deliberate reductions of productivity in certain industries. An example would be the greening of energy production through regulation that increases the cost of electricity generation, e.g. through emission caps, carbon taxes or through outright bans on certain technologies (such as Germany's decision to phase out nuclear power). In this scenario, companies and consumers will substitute undesirable technologies with desirable technologies that are less efficient (at least in a short-run perspective that neglects the full costs of production). As a consequence, the economy will have to move workers out of some other sectors into electricity generation, reducing the output in the other sectors. If this effect is strong enough to offset the labor productivity increase taking place in other parts of the economy, economic growth will be zero without increasing unemployment.

Empirical evidence on economic growth and employment suggests a strong association between the rate of economic growth and the rate of unemployment. This is corroborated by our first-hand experience that unemployment goes up in times of economic recession and goes down in times of economic recovery. It would be wrong, however, to conclude from this that there is a *systematic* dependence of full employment on continuous economic growth because our experience can only show us what happens within economic systems that are actually in place, but that is of course not a good guide for what might happen in alternative institutional arrangements.

Imagine living in a crowded city plagued by daily traffic jams. No matter how bad the traffic jam, taking the car would still be faster than taking the bus (which, in the absence of bus lanes, is as stuck as all other vehicles). Going strictly by empirical evidence, citizens of this city would be led to believe that urban transit systems should favor cars over buses, and an empirical study could easily come up with impressive statistics demonstrating the relationship. One needs to think beyond the current institutional arrangements to understand that people would get to work faster if *everybody* took the bus rather than the car.

Scope for redistribution

Economic growth is also frequently advocated in the name of reducing income inequality within a society. By increasing the total size of the "pie" (GDP) it is possible to increase the piece of the pie of poor people (i.e., their living standards) without taking anything away from others.

The problem with this argument, however, is that this hardly ever happens in practice. It is of course theoretically possible to reduce income inequality in times of economic growth in this way, but it just does not happen most of the time. Perhaps the main reason for this is that people tend to oppose tax increases when the rate of taxation approaches a level that is high in relative terms, such as 30% or 50% of their gross salary, no matter if they were the main beneficiaries of economic growth in the past. In fact, income inequality is as likely to widen as it is to narrow in the presence of economic growth. As it happens, however, within-country income inequality has widened in many countries over the last twenty years or so despite continuing economic growth.

This problem would not occur if income inequality could be reduced on the level of before-tax incomes thanks to converging gross wage rates rather than on the level of after-tax income (i.e., through increasing taxation of the rich and reducing taxation of the poor). However, this is no longer an argument for economic growth as such, but rather for a certain structural change that will lead to inequality-reducing economic growth. This difference would then lead to substantially different priorities and policy implications compared to the pursuit of economic growth as such.

From a GNH perspective, income inequality is a vital concern, too. While GNH by no means requires perfect equality of incomes, the extent of income inequality presently observed in most countries across all income categories appears to be detrimental to the wellbeing not only of the poor, but also in many respects to that of the rich themselves (Wilkinson and Pickett, 2010). The GNH perspective would also favor a convergence of before-tax incomes rather than of after-tax incomes because that would allow people to experience the appreciation of others for their work that is conveyed through a dignified salary. It would also avoid the understandable psychological resistance of high-income earners to very high tax rates.

As for the argument that a reduction of income inequality must not go at the expense of anybody's income entitlements, this should be assessed on a case-by-case basis: it would be wrong to indiscriminately condone each and every income for fear of people's resistance to any reduction of their incomes. By declaring it a taboo to reduce anybody's current income, one would betray potentially legitimate claims of the disadvantaged in the name of appeasing the lucky ones or even the beneficiaries of a potentially unfair distribution of economic power.

Most importantly, however, the GNH perspective leaves it open whether a reduction of income inequality goes together with economic growth or not: again, GNH is not opposed to economic growth, it simply does not believe in economic growth as an end in itself. If a desirable reduction of income inequality leads to worse consequences overall without economic growth than with economic growth, then economic growth will of course be part of the solution.

Public finances

The public finances argument for economic growth states that growth is necessary to reduce or stabilize public debt and to maintain an adequate level of social security benefits. Even though this view is rarely disputed, it is based on blatant inconsistencies.

One basic problem is that the amount of transfer payments (pensions, unemployment benefits etc.) that is deemed appropriate depends strongly on GDP (at least in the long run). The higher the living standard in a given country, i.e. the higher per-capita GDP, the higher transfer payments need to be because of the relativity of poverty and wellbeing with respect to income (Layard, 2005). Clearly, pensioners in a country such as Norway will require much higher pensions to be protected from poverty and social exclusion than pensioners in a country such as Mexico (even after adjusting for differences in purchasing power). Thus, economic growth obliges the government to raise ever more revenue just in order to keep transfer payments – and wellbeing – at an acceptable level. The problem does of course not go away by shifting from a public to a private pension system. It merely means that instead of rising taxes, people will pay rising insurance contributions if they want to have a living standard at old age that is adequate relative to the average living standard in one's society by that time. Thus, since the financing needs for transfer payments increase in line with economic growth, the public finance argument for economic growth becomes a purely circular argument, basically saying that we need economic growth in order to pay for needs that we otherwise would not have in the first place.

The effect of economic growth on public deficits and debt is more complex. On the one hand, it would of course be true to say that for a given absolute level of debt, economic growth will reduce the debt-to-GDP ratio and make a country's public debt more bearable. This is only true, however, if government expenditures do not increase in response, or at least not at the same rate as revenues. As far as transfer payments are concerned, this has already been shown not to be true: these expenditures will typically rise with GDP, and for good reasons. The budget may or may not benefit from economic growth in other ways, but it is striking that there is no relationship between a country's debt-to-GDP ratio and its level of GDP per capita[1]. In fact, many emerging economies have substantially lower debt-to-GDP ratios than many high-income countries. In other words, economic growth has not in the past made countries run balanced budgets and reduce their debt-to-GDP ratios, and there is no reason to assume that this will be different in the future.

The situation of countries that are weighed down by crippling debt is often presented as an argument for economic growth. And indeed, it is difficult to deny that Greece, Ireland and other overindebted countries will depend on economic growth in order to avoid even worse consequences for their societies. However, it would be wrong to generalize this relationship in the sense that sustainable public finances generally require economic growth. Rather, economic growth should be seen as a medicine that these financially injured countries need right now but that need not be given to countries with healthy debt levels, just as a moderately indebted household does not depend on a salary increase in order to pay down its mortgage.

International competitiveness

The idea that an economy's competitiveness depends on economic growth is particularly common among politicians, but it is poor economics. The very idea of the competitiveness of nations (as opposed to the competitiveness of companies) is ambiguous, and it is often not clear what people mean by it. If competitiveness refers to a country's ability to run a current account surplus, it would be clearly wrong to suggest that this depends positively on economic

[1] cf. IMF World Economic Outlook database, http://www.imf.org/external/pubs/ft/weo/2012/02/weodata/ download.aspx

growth, as any international economics textbook will clearly demonstrate. Turning the argument around, some people argue that economic growth depends on a current account surplus, and this argument appeals by its seemingly simple arithmetic: for a given level of imports, the higher the level of exports, the higher GDP will be. However, since the current account is the *difference* between exports and imports and since the level of imports cannot simply be assumed to remain constant, a high current account surplus may equally well be the result of weak import demand rather than of export strength. A current account can therefore coexist with economic stagnation and in particular with high unemployment.

What these people probably mean is that sustaining a current account surplus depends on a country's ability to innovate and produce competitive products, but this requires innovativeness rather than economic growth. Whether a current account surplus is desirable in the first place is another matter that cannot be discussed here, but it should be clear that a current account surplus by one country necessarily implies a current account deficit of exactly the same size by some other country. Running a current account surplus can therefore never be a viable strategy for all countries together.

The environment

What about the relationship between the environment and economic growth? It certainly is not black and white: as material affluence takes hold, people typically also experience a drastic improvement in the quality of their natural environment, such as cleaner air and rivers and orderly waste disposal. The immediate benefit for people's quality of life is something to be welcomed. However, two problematic phenomena remain: first, to the degree that the improvement of the local environment is the result of exporting polluting industries to other countries, the problem is merely shifted somewhere else. Second, economic growth is empirically associated with an increase of energy and resource consumption and of carbon emissions. With the current pattern of consumption, this means that in a world in which all countries have reached material prosperity, local environments would probably be pretty clean and enjoyable, but climate change would be dramatic and certain natural resources would be heavily overused and dry up.

It is true that economic growth can be resource-neutral or even resource-saving on a conceptual level. After all, economic value in the sense of GDP can take the form not only of stuff – cars or mobile phones – but also of immaterial goods, such as insurance policies, theater plays or most kinds of services. Moreover, technological progress can reduce the amount of resources required to manufacture a given consumption good (thanks to energy saving inventions or the recycling of materials). A society can therefore grow economically and at the same time reduce its ecological footprint. This scenario is referred to as absolute decoupling (of economic growth from resource use) in the literature and offered as a way to reconcile economic growth with ecological sustainability.

While the practical possibility of absolute decoupling is controversial, we need not wait for this debate to be resolved (if it ever can be) to know what needs to be done: as long as the world's ecological footprint is unsustainable, and as long as the richest societies have disproportionately large ecological footprints, it is simply a matter of fairness for those living in material affluence to make a true effort to reduce their resource hunger and their greenhouse gas emissions. In doing so, they will rightly want to make sure that unemployment remains low and that other conditions for wellbeing are met, but they should not make it conditional on keeping economic growth at past levels. After all, even if absolute decoupling is feasible, the ecological footprint will shrink even faster if economic growth, and with it consumption, are reduced, or even inversed, in addition to any resource-saving technological progress or substitution of material goods by services.

Challenges for a no-growth economy

Even if the principal concerns against a no-growth economy can be put to rest, some challenges remain for an economy that does not experience economic growth.

The first challenge has to do with expectations. In a society that has been made to expect a permanent increase in living standards, economic stagnation will lead to disappointment. What is more, people may not only feel emotionally disappointed, they may even have planned for a future of ever increasing incomes, and without economic growth they may not be able to service their mortgages or pay back their college debt. They may also start looking for a better job offer, just to find out that the only jobs that pay more take a high toll on their job satisfaction or on their family lives. The problem of disappointed expectations is of course not so much an argument for economic growth as it is an argument against raising unjustified expectations of economic growth. Still, one needs to pay close attention to the ramifications of growth expectations before taking the path down economic stagnation. Otherwise, one risks triggering another financial crisis and other severe macroeconomic imbalances.

The second challenge has to do with the tendency of economic progress to lead to a gradual increase in the prices of services relative to those of material goods. This effect, known as Baumol's cost disease (Baumol and Bowen, 1965), results from the simple fact that the potential for labor-saving innovations is limited or nonexistent in most services, while it is considerable in many industrial processes. At the same time, hourly wages in the service sector need to increase at roughly the same pace as in the industrial sector in order to keep attracting employees. Tourists observe this effect when they realize that in a high-income country, the local price of a memory card for their digital camera is roughly equal to, say, the price of one restaurant meal while in a low-income country, the price of a memory card is equivalent to the price of three restaurant meals.

Assuming that a no-growth economy will not stop innovating, the cost disease will continue. One serious implication of this is the fact that most government services have a limited potential for labor-saving innovations. This means that, e.g., to maintain a given level and quality of public education, the government will have to increase expenditures for education because teachers' wages need to increase in line with hourly wages in other sectors. (There will be no moderating effect on expenditure from a reduction of working hours because maintaining the quality of education would not be achieved if the total amount of hours worked by teachers was reduced.) As a consequence, the government will have to increase the tax intake on a stagnant GDP year after year just to maintain a given level of education and other services. While this need not be a problem in a theoretical perspective, it becomes a problem if people for whatever reason resent a continuous increase of the tax rate, or if they are not willing to pay more in taxes than a psychologically salient threshold such as 50%. Privatizing education or other government services such as health care will of course not make any difference to the underlying structural change but simply shift the problem from the public to the private sphere, with all the advantages and disadvantages this entails.

The third challenge relates to the effects of a deliberate increase of production costs on international competitiveness. A country that implements strict environmental regulations, e.g. ambitious carbon emissions policies, will increase the cost of production for domestic companies. To the degree that the industries that are affected by this cost increase are exposed to international competition, they will obviously suffer a competitive disadvantage with the consequence that their market share will gradually go to foreign competitors. This implies that the intended positive environmental impact will not materialize and that the affected industry will suffer a rapid loss of jobs and of knowledge.

In theory, this problem can be avoided in one of two ways. Either the cost-increasing measures are adopted by a large group of countries that cooperate in monitoring and enforcing these rules (as attempted through the Kyoto protocol), or through so-called Border Tax Adjustments through which imports are taxed and exports subsidized in proportion to the domestic increase in production costs. However, both approaches face substantial political and administrative challenges.

Another challenge may arise to the degree that people are subject to an international demonstration effect: their desires and aspirations increase not only when they see that they neighbors and compatriots upgrade their living standards with time-saving appliances or fascinating smartphones but also when they are exposed to materially superior lifestyles on television. As a consequence, the fact that the latest generation tablet computer quickly becomes a widely owned consumption good in some countries would diminish the appeal of outdated models worldwide. If this effect is actually at work, a voluntary slowdown of economic growth in some countries may give rise to a feeling of being left behind materially if other countries continue speeding ahead. People in slowed-down economies will either be unable to buy the latest gadgets, or they will buy those gadgets and have fewer resources left for good education and healthy lifestyles.

A further reason governments may have to pursue economic growth has to do with geopolitical influence. A country's GDP clearly increases its clout in the international arena. A rich country has more say in some international institutions in which votes depend on financial contributions; it has more bargaining power in bilateral negotiations; and it has more resources to build up and maintain military power. Economic heavyweights may be those who are most concerned about this benefit of economic growth. Of course, seen from a global perspective this is just a zero-sum game in which the geopolitical advances of the respective countries should largely cancel each other out, but this insight does not provide a reason to give up the goal of economic growth for an individual country.

Another factor that is occasionally attributed a central role in the debate on economic growth is the current monetary system (with debt-based fiat money and fractional reserve banking). Basically there are two distinct but related arguments: first, that the current monetary system *drives* economic growth in the sense of exerting pressure on companies and individuals to earn ever higher profits in order to service their debts and pay interest. Second, that a debt-based monetary system *requires* economic growth in order to avoid a financial crisis because debtors would be unable to service their debts without economic growth. These two arguments are not mutually exclusive, of course. However, both of them are contested, and the debate on the possibility to reconcile economic growth with a debt-based monetary system is ongoing. This question should at this point in time be flagged as important, but it would be premature to come to a verdict regarding the suitability of the current monetary system. If it were established that the current monetary system is actually incompatible with zero economic growth, this would be a strong reason to move on to a more flexible monetary system. How this could look like and which advantages and disadvantages different arrangements would bring with them would be a challenging question.

Is affluence relative?

It is tempting to describe the lives of most people in high-income countries as "affluent" in the sense of providing more than is necessary to satisfy all human needs. Indeed, the typical Swede, Japanese or US citizen need not worry about food, shelter, education and healthcare. When people in "affluent" living conditions increase their spending – as they have been doing all along –, then they seem to be satisfying insatiable (and morally questionable) *wants* rather than *needs*, with many observers attributing the desire to acquire ever more goods to the influence of advertising and a consumerist culture.

However, there is an alternative explanation for the insatiability of "affluent" consumers, one that emphasizes the need of social inclusion. To satisfy this need, an individual requires material resources, and the amount of resources required depends on the living standard that is prevalent in one's community or peer group. A substantial share of expenditures is influenced by this desire to be a respected member of one's community, ranging from leisure activities and status goods to standards of generosity and education choices. The old Adam Smith was entirely aware of the material relativity of this need when he observed that leather shoes and linen shirts were a precondition for social respect in England of his time even though they had not been regarded as necessities in Roman times (Smith, 1979/1776, p.870).

This carries an important lesson: even if advertisement, consumerism and greed have a role to play in explaining the insatiability of material desires, people would still have a reason to aspire for an ever higher income without these factors, namely their need for social inclusion. They may want to have a higher income for the best of reasons, such as being able to be more generous towards friends and providing a good university education for one's children. Of course, seen from the perspective of society as a whole, the desire to move up on the scale of social inclusion is a zero-sum game, but from any individual's perspective this may remain a sensible and to some degree even a noble objective. This also implies that while it may make sense to talk of societies being affluent in the sense that any further increase in economic potential will not provide any net benefit, it would be wrong to conclude that all or even most individuals within such a society are affluent in the same sense.

Yet, even if the individual's desire for ever more consumption for social reasons is understandable, the fact remains that there may be no benefit for society as a whole of increasing consumption, but that there may very well be net costs of increasing consumption in terms of the ecological burden on future generations.

Hence, the innocence of the social motive for increasing consumption should not be an excuse for a society's failure to contain this consumption spiral.

Apart from the ecological costs of ever increasing consumption, a further increase in the high-income countries' purchasing power will have the effect of further bidding up world market prices of food, oil and other commodities. While this may be beneficial for some producers of these goods, it may be catastrophic for those whose incomes do not increase at the same rate. As in many other contexts, the resulting increase in income inequality can have painful consequences for the already vulnerable. For this group, a deceleration of economic growth in high-income countries may be a significant relief.

Towards freedom from the imperative of economic growth

There are many ways in which an economy can grow or not grow, some of which are desirable and others objectionable. A low-income country will have different reasons for a high-growth scenario than a high-income country, for which a no-growth scenario may be more attractive and legitimate overall. It would be preposterous to prescribe individual countries whether they should or should not grow economically and by how much they should grow or shrink their economies. But there can be no doubt that societies are worse off when they are forced to have economic growth than when they are free to choose whether economic growth should be part of their conception of truly good development. Perhaps the growth-advocates are actually right that, as things are now, a society that fails to have economic growth will be punished by the comparative logic of global competition. If that is so, however, we should make it our top priority to limit the domain of the laws of competition and to reclaim our freedom to decide on our future.

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