

The Poverty of Growth

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Olivier De Schutter

Foreword by Kate Raworth

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Foreword

Kate Raworth

Here's a question for our times: how should we imagine the shape of progress?

In the twentieth century the answer may have seemed to be very clear. It was growth, measured in terms of national income, or gross domestic product (GDP). And that growth was to be endless, an ever-rising curve. No matter how rich a nation already was, its politicians and economists would consistently claim that the solutions to its problems depended on yet more growth.

As this book powerfully sets out, this last-century promise that economic growth will enable high-income countries to overcome their problems – whether problems of poverty or pollution – has not delivered. It is clearly time to reimagine the shape of progress and, with it, the policies that could bring about a twenty-first-century prosperity for a fractured humanity on a destabilized planet.

Stepping back, it's useful first to recognize the appeal of growth. It is, after all, a wonderful, healthy phase of life, which is why people the world over love to see children, gardens and trees grow. No wonder the Western mind so readily accepted it as the shape of economic progress too, and simultaneously adopted the very twentieth-century mantra that 'more is better', both personally and nationally.

Yet if we look to nature, it's clear that nothing in the living world succeeds by growing forever: anything that seeks to do so will, in the process, destroy itself or the system on which it depends. In nature things that succeed grow until they are grown up, at which point they mature, enabling them to thrive,

sometimes for hundreds of years. As the Biomimicry pioneer Janine Benyus reminds us, a tree keeps on growing only up to the point that it is still able to send nutrients to the leaves at the outermost tips of its branches, at which point it stops. Its pursuit of growth is bounded by a greater goal of distributing and circulating the resources that nurture and sustain the health of its whole being.

Although we can appreciate the nuanced role, value and limits of growth in the living world, when it comes to the design of our economies, we have been acculturated to perceive growth as a constant aspiration and necessity. Thanks to the availability of cheap fossil-based energy in the twentieth century, the rapid and persistent economic growth that this enabled in industrialized countries soon came to be seen as normal and natural, indeed as essential. Its continuation over many decades led to the creation of institutional designs and policies – from credit creation to shareholder dividends to pension funds – that are structurally dependent on growth without end. In other words, we have inherited economies that need to grow, whether or not they make us thrive.

This requirement for endless growth has become so locked into economic theories, political narratives and public expectations that, over recent decades, governments have made clear the desperate and often destructive measures they are willing to go to in order to reboot growth when it becomes elusive. They deregulate – or rather re-regulate – finance in the hope of unleashing new productive investment, but often end up unleashing speculative bubbles, house price hikes and debt crises instead. They promise corporations that they will ‘cut red tape’ but end up dismantling legislation that was put in place to protect workers’ rights, community residents and the living world. They privatize public services – from hospitals to railways – turning public wealth into private revenue streams that so often undermine the very services they claim to

provide. They add the living world into the national accounts as ‘ecosystem services’ and ‘natural capital’, assigning it a value that looks dangerously like a price. And, despite committing to keep global heating ‘well below 2°C’, they open up new licensing for fossil fuel exploration, while failing to make the scale of transformational public investments needed for a renewable energy revolution. These policy choices are akin to throwing precious cargo off a plane that is running out of fuel, rather than admitting it is time to touch down and instead create post-growth economies that focus on delivering social and ecological health and integrity.

As Olivier De Schutter so compellingly argues here, the insistent pursuit of growth in high-income countries is not only preventing carbon emissions and material consumption from being reduced at the speed and scale that these times urgently demand. It is also failing to tackle poverty and endemic social inequalities – the very problems for which growth is so often offered as the remedy. Indeed the book’s key contribution is its message that the pursuit of growth has become ‘counter-productive’ to the mission of tackling poverty. The policy tools that are so commonly used to stimulate growth – creating ‘business-friendly’ environments through privatization, commodification and trade liberalization – in fact have all too often widened inequalities and created the very social exclusion that growth was promised as a means to address.

Instead of pursuing endless growth it is time to pursue a thriving well-being for all people as part of a thriving living world, with policymaking that is designed to be in service to this goal. And this means putting human well-being and ecological integrity at the heart of our vision for economic success. Starting with the goal of human well-being within planetary boundaries results in a very different shape of progress: in the place of endless growth we find a dynamic balance, one that aims to meet the essential needs of every person while protect-

ing the life-supporting systems of our planetary home. And since we are the inheritors of economies that need to grow, whether or not they make us thrive, a critical economic challenge in high-income countries is to create economies that enable us to thrive, whether or not they grow.

As this book argues, tackling and reversing inequalities needs to be at the heart of a new eco-social contract because doing so can deliver major impacts, both in terms of improving well-being – including self-expressed life satisfaction – and in terms of reducing nations’ ecological footprints, due to the well-documented links between social inequalities and consumption impacts.

Tackling inequalities is also critical for reasons of political economy. One of the most damaging consequences of growth that exacerbates economic inequalities is the concentration of wealth and economic power in few hands. This can all too easily be converted into political power to influence elections and policymaking processes, to ensure that policies are retracted, enacted or recrafted to preserve the systemic advantages of the already wealthy. There is, in other words, a tacit market for political influence, and it is used to ensure that inequalities of wealth, power and voice are perpetuated.

When we turn away from growth as the goal we can focus directly on asking what it will take to deliver social and ecological well-being. And while many of the policies that this brings to the fore were, only a decade ago, considered too radical to be realistic, they are now gaining public interest, leading to animated discussion and serious policy consideration. This book makes an invaluable contribution to furthering the rationale and realism of exploring such policies, so that we can start to focus on creating economies that thrive in balance by meeting the needs of all people within the means of the living planet.

Kate Raworth
December 2023

Preface

As a means to fight against poverty and inequalities, economic growth has passed the peak of its usefulness: in rich countries, it has become counter-productive.

Understood as the increase of gross domestic product (GDP) – the total value of economic output within society – economic growth has long been seen as an indispensable tool to reduce poverty and inequalities. In what came to be known as the ‘Bretton-Woods era’, running roughly between the end of the Second World War and the economic crisis of 1973, the deal was simple: the value created by productivity gains was to be shared between shareholders, workers and the state, respectively, in the form of dividends on corporate income, wages and taxes.

This was the so-called ‘Fordist compromise’: economic growth was pursued by a mix of technological progress and the gradual removal of barriers to cross-country trade and investment, allowing the strengthening of the welfare state. Prosperity increased, and it was broadly spread. Between 1950 and 1973, GDP growth in industrialized countries averaged 3.72 per cent per year, leading to a doubling of the value of economic output. During this same period, the share of the public sector in these countries rose from 27 to 43 per cent of GDP, and social transfers rose from 7 to 15 per cent. In the United States, average annual growth per capita during this period was 3.91 per cent, and the share of the public sector in the GDP increased from 21.4 per cent to 31.1 per cent. In the United Kingdom, while GDP per capita growth was slightly less impressive (increasing annually by 2.4 per cent

on average), the role of public services and social protection followed a similar pattern: the share of the public sector in the GDP increased from 34.2 per cent to 41.5 per cent.¹

This came at a price, however. It led to what Earth scientists now call the ‘Great Acceleration’.² These scientists highlight the relationship between changes in human production and consumption, measured by indicators such as GDP, direct foreign investment, energy consumption and telecommunications, to changes in the Earth’s natural systems, including in particular climate and ocean acidification, and terrestrial biosphere degradation. Since 1973, we have been living beyond the biocapacity of the Earth: we consume more resources than are naturally replenished, and we dump into the environment more waste and pollution than the ecosystems can absorb.

Economic growth has thus led us to cross a number of planetary boundaries, or to dangerously approach them. It has eroded our natural capital. But it has also depleted our social and human capital, breaking down communities and exhausting working women and men.

In the name of stimulating growth, we have deregulated the labour market. New forms of sub-standard and atypical employment contracts have been introduced. A global precariat has emerged, subject to unpredictable working schedules and forced to accept wage levels below what is necessary to achieve a decent standard of living. They form what Guy Standing describes as a ‘new dangerous class’, sometimes referred to in the United States as the ‘underclass’.³ Work has been intensified in the search for increased productivity. Barriers to trade and investment were further lowered, making the position of the least qualified workers more fragile and weakening the bargaining position of unions in high-wage jurisdictions. Again in the name of growth, governments have sought to shape a ‘business-friendly investment climate’ – the

code in these times for signalling that taxes and regulations on business would be reduced.

Thus, over the past forty years, the quest for economic growth has created exclusion and has led to a massive increase of inequalities.

This short book is based on the conviction that the fight against poverty and inequalities can be framed differently. Economic growth, understood as the increase of the output of economic activity measured in monetary terms, remains important in order to make progress in certain areas, such as housing, education or public transport, especially to raise living standards in low-income countries, which still need to invest massively in order to alleviate poverty by improving the provision of public services. Even in these countries however, GDP growth should not be fetishized: what matters is not whether that indicator increases, but whether the well-being of the population improves. *Selective* growth, thus understood, may be required to improve the fulfilment of basic needs through the provision of public services and social protection: as Kate Raworth eloquently argued, the challenge is to ensure the protection of a floor of social outcomes, while not exceeding the ceiling of planetary boundaries.⁴

In rich countries, however, we need something else: not economic growth intended to create wealth, with its damaging impacts on people and the environment we must then make up for, but a truly inclusive economy, designed to prevent poverty and inequalities. Poverty and inequalities should not be seen as an inevitable consequence of the progress of capitalism that we should tolerate before trying to remedy their impacts: they should be seen, instead, as a symptom of an economy that has become ill-suited to the aim of a shared and sustainable prosperity. We must now move from an extractive and predatory economy to a non-violent economy; from an economy that responds to the demand expressed by the supe-

rior purchasing power of the rich to one that caters to the basic needs of the poor; from an economy, finally, that excludes and ranks, to one that includes and values the contribution of each member of society. In order to achieve this, we first need to get rid of what Jason Hickel calls the ideology of growthism: at best, the belief that growth, as a measure of the total output of the economy, is a necessary precondition for addressing the societal challenges we face; and at worst, that it is a desirable goal in itself.⁵ Twenty years ago, the ecological economist Clive Hamilton arrived at the conclusion that ‘the more we examine the role of growth in modern society, the more our obsession with growth appears to be a fetish – that is, an inanimate object worshipped for its apparent magical powers’.⁶ These words resonate today more powerfully even than they resonated then.

The current threats to the Earth systems leave us no choice: we must move swiftly towards transforming societies. This is both inevitable and urgent. The social and ecological transformation we need can be built on such a non-violent economy, provided we see this transformation as a lever to achieve social justice. I try to show in this book how we could move in this direction. In the choice of measures aiming to deliver the ecological transformation, we should prioritize measures that produce a ‘triple dividend’: measures that reduce our ecological footprint, but that at the same time create employment opportunities and ensure that the goods and services required for a decent life are affordable to low-income households. In the design of our tax and social policies, we can do more to reduce inequalities of income and wealth. This would reassure the members of the lower middle class who fear losing ground. It would also reduce the incentive to achieve social status through conspicuous forms of consumption. It would address, more generally, the status anxiety that largely explains the persistence of unsustainable lifestyles aimed chiefly at meeting

real or imaginary social expectations. In the field of employment, finally, we could combine the idea of a ‘job guarantee’, ensuring that the state acts as employment of last resort, with a generalized reduction of working time and the democratization of work.

These instruments could go a long way towards reconciling public opinion, and particularly low-income households, with the ecological transformation: ensuring that such a transformation is seen as an opportunity rather than as a burden. Moving towards a low-carbon society that maintains and enhances biodiversity does not require that painful sacrifices should be imposed on the population. It is rather the opposite. It means investing in public transport, in the insulation of buildings, in agroecological food production, or in other measures that create jobs, favour access to goods and services at an affordable price, and stem environmental destruction. It means treating the ecological transformation as a springboard for social cohesion and for the reconstitution of social capital, this ‘cement of society’ that favours the emergence of collective action on the basis of trust, and thus allows for the replenishment and nurturing of the commons.⁷ It means, finally, moving towards a society that is less work-centred, but that at the same time guarantees access to meaningful work for all of its members, in the organization of which they will be able to participate.

This change in direction requires individuals and societies that are truly autonomous, and therefore able to revise inherited understandings of ‘happiness’ and ‘progress’, and to lucidly reassess the trajectory they seek to pursue. This is why I emphasize the ‘sufficiency norm’ that should guide our behaviour, noting that the choice of such a norm is eminently the result of an exercise in self-determination, the very opposite of the tame complying with the injunction to consume that makes us, in Günther Anders’ words, ‘home workers’ in

the service of capitalist growth. This is also why I note that societies equipped to achieve the ecological and social transformation required should be further democratized, to avoid capture by the most powerful economic actors. These actors promise to deliver mass production to allow for mass consumption. They have a superior ability to achieve economies of scale and to control global networks of production. This is what explains their political influence: large corporations, operating transnationally, have become indispensable to our wasteful lifestyles, based on a permanent renewal of the things that surround us and to which we have become so deeply addicted.

Individuals and societies should escape the trap that has closed upon them. With his usual lucidity, Cornelius Castoriadis expressed his diagnosis of our late modernity as follows:

There are no limits to the progress of our ‘power’ (and of our ‘wealth’); or, to put things differently, whatever limits do exist are valued negatively and [seen as obstacles that] must be overcome.... The movement is towards more and more; more commodities, longer life expectancies, more scientific publications, more people with a doctorate – and ‘more’ is ‘better’.... It is thus that we arrive at the present situation. Historical and social development consists in moving away from any defined state, in attaining a state which is defined by nothing except by the capacity to attain new states. The norm is that there is no norm. Historic and social development is an infinite deployment, a deployment without an end (in both meanings of the word ‘end’).⁸

Without such a progress in autonomy, we will continue to live lives entirely devoted to accumulation or to frivolous consumption, and societies will continue to race towards

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the cliff edge: we will pursue a quest that is both infinite and purposeless.

It is in that sense that limits can become a source of freedom. The ecological wall leaves us no choice: we must change. This obligation imposed on us, however, is also the opportunity for each of us to gain in reflexivity – to re-examine what we truly want. And at a societal level, it is an invitation to broaden our political imagination, to invent new ways in which to realize a society of equals and to combat precarity and social exclusion.

* * *

This short text has its immediate origin in the meeting I had with Pope Francis at the Vatican, in September 2022. I had been asked to propose a diagnosis of global poverty and to identify certain levers that could be used to eradicate it. I am grateful to the organizers of this meeting for having thus provided me with the necessary motivation to summarize, in these pages, the spirit in which I am fulfilling my role as the UN Special Rapporteur on extreme poverty and human rights.

Olivier De Schutter
September 2023