

Growth and the environment

A transition to green ‘agrowth’

We need to debate in science, politics and wider society the option of stepping outside the futile framing of pro- versus anti-growth. Realizing there is a third way, namely an agrowth strategy, can help to overcome existing polarization and weaken political resistance against effective environmental and climate policies.

By Jeroen van den Bergh and Stefan Drews

1 The persistent growth debate

Climate change is reviving the old debate on growth-vs-environment. Since its damage is predicted to generate substantial economic costs, and tough climate policies are feared to curtail growth, many consider climate change to pose a serious challenge to future economic (i. e. GDP [1] or GDP per capita) growth. This has motivated some to adopt a climate-sceptical position. Another easy way out of the dilemma is expressing a belief in green growth, which has been the dominant strategy of those who accept climate change as a serious threat. Some suggest to instead accept zero or negative growth as a transition outcome, or even explicitly aim for it, but this suggestion strongly divides opinions. Here we consider an overlooked third position of being critical of economic growth without resorting to an anti-growth position (first proposed in van den Bergh, 2011), and consider its potential scientific and political strengths.

2 Doubting green growth

Optimism about green growth has a long history. Its implicit promise of “win-win” is understandably hard to resist for many people. It requires a decoupling of overall environmental pressure from aggregate output. To limit global warming to 2°C relative to pre-industrial levels, for a 1.5% global growth rate carbon intensity would have to fall 4.4% per year (Antal and van den Bergh 2016), while historically its annual decrease was less than 1%.

Many are concerned about climate change, but nevertheless remain optimistic about green growth, believing we can generate a *Schumpeterian growth spurt* (Stern 2008). This requires innovations that improve the quality of products or create new functions, exhilarating consumers and creating new markets.

However, low-carbon innovations merely reduce energy use or the carbon content of energy. Think of renewable electricity. In comparison with grey electricity it does not provide more productive services or new functions.

To achieve employment and climate goals simultaneously we might not only need decoupling of income and CO₂ emissions but also of income and employment (Antal and van den Bergh 2013). Of course, the inevitable implication of the second type of decoupling is lower growth. Given the previous issues and uncertainties, being categorical pro-growth is a non-precautionary strategy (van den Bergh 2017).

3 Doubting anti-growth

In response to doubts about green growth, some propose an anti- or degrowth strategy, aimed at “downscaling the economy” to meet environmental goals (Martínez-Alier et al. 2011). Some suggest this is “not the same as saying that the degrowth goal is to reduce GDP” and that “slowing down the economy is not an end but a likely outcome in a transition” (Kallis et al. 2018, p. 297). However, there is a diversity of viewpoints within the degrowth community (Eversberg and Schmelzer 2018). Indeed, survey evidence indicates that some researchers endorse a degrowth position and favour zero or negative growth rates as a policy aim (Drews and van den Bergh, 2017). Such a radical strategy is driven by the belief that parallel rising of environmental pressures and GDP is unavoidable in the future. The effectiveness and feasibility of this strategy can, though, be questioned on various grounds.

First, the considerations in the previous section do not mean that green growth is absolutely impossible: the economy has enormous flexibility to change, and we have not tried out serious climate policies worldwide. A particular degrowth target or rate, as implicitly favoured by some, is also arbitrary. Nobody knows the optimal balance of all factors underlying environmental pressures of the economy, such as composition of consumption and production or performance of energy technologies, and hence the required amount of downscaling or negative growth is unknown *ex ante*. Next, degrowth confuses cause and effect. Perhaps serious climate policy results in low, zero or negative growth, temporarily or even permanently; but this does not imply that degrowth is a substitute for climate policy. A deliberate degrowth strategy further risks harming consumer and investor confidence in the economy, which contributes then to economic instability and unemployment. Furthermore, degrowth could well make production less efficient and

more polluting. Finally, degrowth might involve a growing informal economy, going at the expense of tax revenue and public goods, such as infrastructure, education and health care.

Degrowth writings emphasize voluntary alternative lifestyles and local community initiatives rather than stringent environmental regulation. Paradoxically, these play in the hands of pro-growth supporters as they are unlikely to threaten dominant industries and lifestyles. Last but not least, a degrowth strategy is problematic in terms of political feasibility. Already the word degrowth evokes negative images, feelings and associations in people's minds, such as economic decline and recession (Drews and Reese 2018). This suggests we have to sacrifice a lot to protect the environment, politically an unwelcome message.

4 Agrowth as a third option

It is widely accepted that the GDP is not a good welfare or progress measure, for various reasons, including (van den Bergh, 2009):

- It does not capture income inequality, relative income effects and adaptation to higher incomes;
- it neglects the informal economy;
- it does not capture environmental externalities, ecosystem damage, and depletion of natural resources.

These shortcomings suggest that using the GDP as an indicator of progress causes an *information failure*, which is likely to steer the economy in the wrong direction from social-welfare and environmental angles. Unfortunately, most people with political influence unconsciously see or use the GDP as if it were an adequate welfare proxy. Indeed, many politicians, journalists and economists get nervous when GDP growth pauses. Through media, information on GDP growth exerts a considerable influence on consumption, the business world, financial institutions and hence the economy as a whole.

Given the criticism of GDP as a welfare measure, a logical strategy is to let go of the explicit aim of economic growth. Instead, one is neutral and indifferent regarding economic growth, that is deliberately agnostic – hence the term *agrowth*. Indeed, an indicator that can steer us in the wrong direction in terms of social welfare deserves to be ignored. *Agrowth* does not mean being against growth or in favour of zero-growth. It just eliminates the unnecessary constraint of unconditional GDP growth. The public policy goal is realizing progress in terms of social welfare by focusing on solving important social and environmental problems rather than on a un- or weakly-correlated GDP. Clear examples of urgent problems are poverty and inequality, struc-

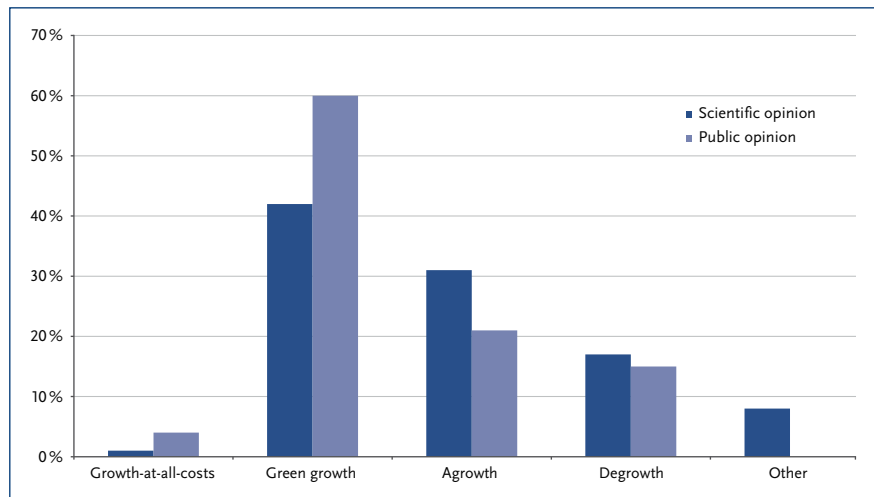


Figure 1: Scientists' vs. citizens' preferences for a public policy strategy regarding growth and environment

tural unemployment, violent conflicts, discrimination of societal groups and global environmental change. Unconditional GDP growth often acts as a constraint on solving these issues, so *agrowth* will foster solutions by relieving this constraint.

Holding an *agrowth* vision means one can be concerned or critical about growth without adopting a dogmatic anti-growth position. Under an *agrowth* strategy, periods with high growth might be followed by low or even negative growth as long as there is progress in welfare terms. We would in some periods be willing – without being aware, due to ignoring GDP information – to accept less potential GDP growth for a better environment, more equality or more leisure. One would no longer prioritize income over welfare, nor assume growth is required or sufficient for societal progress.

Empirical evidence suggests that *agrowth* already enjoys some support and can depolarize the debate. We conducted a survey that was representative of the general population of Spain, leading to 1,008 responses, and a web-based questionnaire survey among researchers, obtaining 814 responses from a wide range of academic backgrounds, including economics, environmental social sciences and natural sciences (Drews and van den Bergh 2016, 2017). Figure 1 shows aggregate results for both, indicating that *agrowth* can already count on considerable support, especially from scientists. The survey of scientists further found that when being asked for a preferred GDP growth rate, those supporting *being indifferent about growth/agrowth* more often than green or degrowth supporters did not state any preferred growth rate, consistent with the motivation underlying this strategy.

5 A scientific-political transition to agrowth

We have argued that theoretical and empirical support for both green growth and anti-growth is weak, that either strategy poses a threat to environmental or economic stability, and that

they are equally inconsistent with a social welfare approach. Perhaps because of this, neither strategy has sufficiently convinced politicians or voters to implement stringent policies for effective climate protection. In view of this, it is time to try out another approach.

An important advantage of the *agrowth* strategy is that it can bridge the chasm between green growth and anti-growth positions and thus is able to reduce polarization, in turn weakening political resistance against serious environmental and climate policies (van den Bergh, 2018). As opposed to unconditional pro-growth, an *agrowth* strategy would not give priority to income growth over climate stability but strike a balance between important components of social welfare. Therefore, it would provide more political leeway for effective climate policy and a just distribution of income. However, a transition to an *agrowth* strategy is not easy. Politicians get nervous if growth is low. But the days of high growth may be over anyway, in which case future growth is sure to disappoint (Gordon 2012).

Several actions can foster a transition to a growth-neutral strategy (van den Bergh 2017). We may interrogate the preoccupation with growth in journalism, policy circles and politics so as to overcome the automatism with which many people and organizations prioritize growth. In addition, the shortcomings of the GDP as a welfare indicator deserve systematic attention in all education, to counter infection of students with the *growth virus* – which could well have more serious long-run consequences than the Covid-19 virus. Political leaders of developing countries must recognise that an *agrowth* strategy facilitates a trade-off between less growth in rich countries and development-with-growth in poor countries. This is likely needed to combine the goals of stabilizing the climate and reducing global inequality. Lastly, influential global players, such as IMF, OECD and World Bank, should shift to an *agrowth* paradigm. Currently, they are caught in ambiguous notions like “beyond GDP” and “inclusive green growth”.

While an *agrowth* strategy does not require an alternative welfare metric to replace GDP, implementing such a metric worldwide, best under auspices of the UN, could speed up a transition away from welfare-constraining and environmentally-harmful growth. We invite everyone to reconsider their pro- or anti-growth position after recognizing the third *agrowth* option.

Footnote

[1] GDP stands for gross domestic product.

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