

# **The Left Between Growth and De-Growth**

**Discussion Papers**

**Edited and introduced by Teppo Eskelinen**

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# **Preface: Growth – an Indicator of the Past**

**Teppo Eskelinen**

Critical discussion on economic growth has gained standing in recent times, mainly because of environmental concerns. But the recent financial crisis as a general crisis of the contemporary growth model has definitely brought more fuel to the fire. As the financial sector in the US and Europe has reduced its lending to the productive sector, growth has been slowed down, which causes politicians of every orientation desperately to seek strategies for returning the growth track. Yet simultaneously, there is growing acknowledgement that the prevailing finance-led growth strategy is unstable and prone to crises, along with being highly unjust in terms of distribution of money and assets. It was recently estimated that regulatory and taxation measures, which would curb speculation and stop overt risk-taking by banks, would slow down growth by 1 per cent annually. While this was intended to be an argument against these measures, many people will feel that this slowdown of growth is in itself desirable. In addition, the general forecast of jobless growth for most countries in Europe spurs the realisation that, in financial capitalism, even employment is not necessarily very closely correlated with growth. Simultaneously, the environmental concerns are ever more pressing, and the argument that everlasting growth is simply absurd has become impossible to dismiss.

The inconsistency of growth as a normative goal has several facets. First, economic output is no indicator of well-being or any other utopian goal of human and political life. Second, economic output as such says nothing about its distribution, let alone relative power positions within a society. Third, economic growth is potentially dangerous. Examples of this include production of dangerous goods such as weapons, excessive commodification of culture, destruction of forms of subsistence in the global South, privatisation of public services, which counts as growth, and so forth. Of course, the increased production of genuinely desired goods also registers as growth. But what is essential here is that growth is a broad fetishisation category, and as a broad category it would be absurd to evaluate it categorically, whether negatively or positively. Rather, the popularity of both viewpoints, especially the position of regarding growth as categorically positive, ought to attract our interest: how can this viewpoint be so popular? Why do societies seek growth, not as merely one thing among others but as a priority? Are there any reasons for this beyond a prisoner's dilemma situation: things would be even worse without it?

## **A challenge for the left**

Looking at the centrality of growth in political discourse, growth can be seen as one of the cores of the development model which has prevailed in the West. Thus the debate on how to think about growth may well necessitate a broader discussion of the very model of development and what is understood as progress. The belief has been that the growth of production will result in enhanced general well-being, with a "trickle-down" mechanism lifting the poor up from poverty. Taking these shaky presumptions for granted has led to an excessive appreciation, a fetishisation, of production and its increase, which has led to a very energy-intensive form of society.

Yet the environmental crisis and the inherent inequalities and unsustainability of the system provide ever more empirical evidence to counter this paradigmatic idea. This has led to a number of very different kinds of responses. The political mainstream, while tacitly agreeing that everlasting growth is a rather unlikely prospect, sticks to growth as it feels that alternatives do not exist. Granted, growth has not created employment for all, and quite likely never will, but without growth societies would face even more catastrophic scenarios, they argue. In other words, the political mainstream admits that it bases the bulk of its politics on a foundation it knows to be absurd, since it feels that alternatives do not exist. On the radical agenda, on the other hand, the de-growth movement has quite vocally called for a reorientation regarding growth. According to the ideologues of this movement, environmental imperatives ought to be taken as a serious sign, whose only logical consequence is to aim at steadily decreasing GDP.

Neither of these responses can be satisfactory for the political left. First, left politics cannot merely take for granted such imposed necessities, such as the need to promote growth in the absence of alternatives. Admittedly, parts of the trade-union movement have been sympathetic to the argument for everlasting growth precisely because at present there seem to be few alternatives to it in creating jobs. Yet this cannot be taken as a general left position, even though some Greens are eager to see it that way. Second, the problem with the de-growth movement is that it operates with the vocabulary of growth, taking a normative u-turn but leaving the discourse untouched. A more analytical position is needed. Growth as a concept is more ambiguous than the de-growth discourse would allow.

Naturally, the importance and urgency of the concerns of the de-growth movement, namely the ecological predicament, cannot be overstated. Economic activity is closely linked to the levels of consumption of material resources and emissions of greenhouse gases. It is arguable, and indeed often argued, that environmental externalities be "decoupled" from the value of economic output, but at least so far all forms of capitalist economy known to us have created environmental destruction quite correlated to the level of economic output. Humanity now finds itself in a completely novel situation, as it is facing a clear, ecologically dictated deadline in the form of climate change. Emissions need to be cut, immediately and considerably, and there is no excuse for not doing so. As for the decoupling problem, this can be said: most likely the new mainstream technology and market solutions can, if correctly designed, play a role in tackling climate change, but such measures will be insufficient. Indeed, in the long term societal models not based on accumulation will be needed, and thus it will also be necessary to think in non-growth terms.

So the matter is not, whether or not to grow, but how to cease thinking in terms of growth, whatever normative value it is given. Thinking, of course, must also mean political practice. The current model of capitalist growth has led to a dead end in terms of ecology, social justice and even economic stability. It simply is no longer credible that human well-being, basic needs, environmental sustainability and the like could be addressed with the paradigm of the resource-intensive, accumulation-based economic model. Even less justified is tying the fate of all these to the success of the speculative financial markets. We are not merely in a social or ecological crisis, but in a crisis of civilisation and political imagination, and the only way out of the crisis is to seek novel ways to answer the perennial political problem of achieving lasting human well-being.

Granted, it is never easy to undertake these kinds of intellectual enterprises. Especially when it comes to economic thinking, there are few alternatives to the growth paradigm for the very reason that all economics, despite its differing schools of thought, consists of attempts to answer the question of how to grow. Especially the left has found it difficult to define its relation to Keynesianism. Keynesianism seems to promise reasonable economic equality and financial stability, along with reasonable possibilities of politically controlling the productive economy and especially the financial markets. However, Keynesianism offers little if any criticism of the general presuppositions of economics, which constitute the very core of thought behind our civilisational crisis. It seems as if economics is incompatible with the ways of thought and political organisation which would be necessary for paving the way to the future.

Yet the problem is that no societal order can be based only on external constraints of social life, for example the imperatives of climate change. Focusing solely on these ecological constraints means risking eco-fascism. Alliances between social and ecological demands are necessary, and Keynesian measures could provide tools in this pursuit. At least, the left needs to show how things can be done better. It should not be forgotten that historically most of the left's demands have been based on increasing consumption for the working class, which is a call for a Keynesian growth model par excellence.

### **Consequences of growth**

It is worth repeating the fundamental left viewpoint on growth: criticism of growth cannot be only a material question, but has also to be understood as a social question. The consequences of taking

growth as the priority social goal require analyses of the relations between human beings. And, naturally, these consequences depend on the social organisation of contemporary societies and also on ecological extra-societal factors. Let us divide these consequences into the categories of global outcomes, intergenerational outcomes, the effect on the social fabric and the undervaluation of "externalities".

By global outcomes I mean that as natural resources become scarce, the effects of the growth economy of high-consumption countries are ever more severe, especially in regions of lower consumption. This phenomenon takes several forms: the ever more violent quest for natural resources, the effects of global warming, among others. Simultaneously, local attempts of low-income countries to promote high growth with a strong export basis and linkage to the global economy increasingly take forms opposed to the interests of the poorest residents of these countries: energy megaprojects causing the displacement of people in the thousands, land grabs of poor peasants' land, urban development which forces slum dwellers to ever more dangerous locations, and so forth. In short, the global outcomes of high-consumption economy go in two different forms: first the unpaid "ecological debt" displaced onto poorer peoples; second, the growth model and the dictated terms of the global economy, which are very much Western-oriented and for which the West thus bears some cultural responsibility, even though the decisions are made in the particular countries. All in all, taking the necessary step of stressing distributional issues on a national level and also stressing them on a global level leads to a criticism of various facets of growth orientation.

By intergenerational distribution we of course mean the human toll of the environmental crisis. Environmental protection is not, if you ask anyone but some "deep-ecologists", important because of the intrinsic value of nature but because of the severe effects on human well-being of ecological changes, in terms of scarcity of water, food, increased diseases, the consequences of unpredictable weather phenomena, and so on. Overconsumption and emissions today are a form of indebting future generations to the current generation, even though this debt will not, and cannot, ever be paid. Intergenerational distribution has sometimes been seen as the most striking argument against capitalism, as the very foundations of a capitalist economy are based on overusing resources and thus harming future generations of human beings. An economy based on even some form of intergenerational solidarity would have to start from a completely different basis from that of contemporary capitalism.

Outcomes of the social fabric are typical examples of the social consequences of economic growth. In short, as a sociological notion, economic growth can be seen as a process of the constantly occurring isolation and reunification of individuals in society. In order to become market subjects, people need to adjust to an atomistic self-image, yet the promise of the market is always a promise of forming new linkages between human beings. The new communication technologies might be "connecting people", but this would be totally unnecessary if they have not been first disconnected from their pre-existing mode of social communication. This does not mean that new forms of social life would be necessarily worse than previous ones, or even that using such evaluative criteria would be meaningful at all. What is noteworthy is that growth is always also a name for a social change, and this social change seldom takes places without creating a need for itself. The emblematic figure of the growth society could be the computer security expert who releases a virus in order to get employed.

Another category of the consequence of growth is the general category of how the growth society treats externalities. Externalities are a category of socially relevant things external to but necessary for the money economy. For example, the natural commons is necessary to the money economy, but quite often pollution and overuse of the natural commons accompany growth. The process seems positive from an economic point of view, as the things external to the money economy have no value which the money economy could take into account. Social commons such as welfare services are threatened by growth aspirations. For example, privatisation of public healthcare leads to general impoverishment as user fees are needed to pay for private healthcare, but in the process the economy grows, since more value is created in the services market.

Of course, commons, even though they provide instructive examples, are far from being the only relevant externalities. Social externalities have been long noticed especially by feminist theorists who argue that reproductive and caring work typically associated with women usually goes unpaid, even though capitalism could not survive without it. Symptomatically, capitalism could not survive if it compensated for the externalities it uses, and for this reason it can be said to be a parasitic form of economy. Of course, theoretically, the economy could function without negative outcomes involving externalities, but this can hardly even theoretically be the case in an economy with growth as the prioritised political objective.

What can be said for a certainty, though, is that economic indicators, such as growth, say nothing about several things quite important for good human life and society. Pollution and reproduction were already mentioned, but there are also important economic indicators which do not register in growth (distribution, necessities of consumption). Growth also fails to register even "classic" measures of well-being (life expectancy, literacy, safety, etc). Growth means merely the increasing value of economic production. Increase in this value can improve other means of well-being, weaken them or leave them intact. That is the point.

### **What instead?**

So growth is not the answer, but neither is it necessarily the problem in itself. Rather, it is a somewhat inaccurate statistical tool. The problems arise not from growth as such, but from prioritising growth as a social objective. What does this imply for the left? Should it be thinking in terms other than those of economic growth? What would the alternative vocabulary look like? If not growth/de-growth, then what? In what terms should social progress be measured, if growth is not to be the yardstick?

Typical, even clichéd leftist slogans which serve as a starting point for replying to the above question are: (re)localisation of power and the economy, democratisation of finance and general economic democracy, self-rule of peoples, centrality of human needs and redistribution before growth. Generally, the reply to the growth economy ought to be based on a few fundamentals: First, the necessities of life should be secured for all. Second, the economy ought to be evaluated in terms of qualitative decision-making criteria (democracy, justice) rather than mere quantitative criteria (growth).

When it comes to basic human needs, the market has proven its inability to see that even the most basic needs are met for all. There is nothing in the market system which prioritises basic needs. On the contrary, people can, for example, prefer owning a car or a mobile phone to eating adequately for very real reasons, since such goods can become necessities in a society. Naturally, which needs count as "basic" or are in some way more important than others is open to definition, along with the question of whether needs are seen as objective or as changing in within a social process.

Perhaps most important aspect of the redefinition of progress after the growth paradigm is the idea of economic democracy. This has indeed been a qualitative aspiration of the left since the 1970s, when Eurocommunists called for specific measures to promote it. Practically, the link between economics and democracy has several levels. One level is general relocalisation, bringing economic issues closer to people and their existing mechanisms of local-level decision-making. For instance, local currencies have always been seen as both stabilising and democracy-enhancing mechanisms, if not ones boosting the formal economy. Another level is the state level, in which the state can attempt to take more control of production, along with improving the possibilities citizens have to influence the functions of the productive sector via state mechanisms. The state level includes questions of general democratisation of decision-making in economic issues, of which participatory budgeting and social monitoring are good examples. Last but not least, on the level of finance, economic democracy has meant calls for nationalisation of banks, taxation on financial transactions, and so forth.

In these measures, the shortcomings of the Keynesian approach are evident, as the approach focuses only on "the money question", the "what", and omits the democracy question, the "how". And even more generally, the democratic approach introduces a great qualitative turn, as people's rule is not really measurable. Naturally, this also implies the impossibility of decisively measuring progress as defined here. This approach can be seen as a logical continuation of Marx's ideas and demands concerning development, as he defined societal development as the expansion of the possibilities people have to rule themselves.

It should be realised that any quest for "another idea of progress" requires a major shift of the economic agenda and necessarily involves a broad range of policy questions. When we say "another idea of progress", we are calling for a redefinition in the field of culture, in the future of capitalism, intergenerational justice, use of natural resources, ways of meeting human needs, redistribution of wealth, and so on. "Growth" as an indicator might seem quite narrow – just a way of measuring output – but politically it is no less than a holistic philosophy of societal progress. The call for another progress has two practical fields of application. First, as a shift in politics "at home", or altering the self-image of the West as the locus of progress. Second, as an ideology of liberation for the colonised people, meaning more space to think outside the box regarding economic growth and the relations of political dominance. As a way of transforming the notion of progress into a sustainable and equitable one it might be necessary to give totally different traditions considerably more voice.

This volume presents several articles by European authors, tackling these issues, problems and dilemmas. The main question is: if not growth, then what instead?

Elena Papadopoulou in her paper points out the urgency of seriously re-evaluating the nature of growth and how and for whom it is pursued. She consequently asks if this means that we should abandon growth, which in the context of increasing unemployment, decreasing production and investment and insecurity generated in the developed world, hunger, incurable diseases and absolute poverty in the developing world, sounds absurd. Instead, she suggests abandoning the prevailing type of growth is exactly what might be at stake in the conjuncture of the current crisis.

Jean-Marie Harribey focuses similarly on social relations. His main argument is that the financial crisis has its roots in the social crisis and in capitalist relations of production. According to Harribey, we need to be aware that only work creates value, rather than capital or natural resources as such. He demonstrates the absolute necessity of a thorough-going transformation of the systems of power supply, transport, town planning and housing. This transformation will probably be spread over several decades, during which considerable investments and reconversions will be needed.

Josef Baum highlights the ecological deadlines faced by the growth society. According to Baum's argument, the present ecological crisis is of such severity that the search for political alternatives has to be carried on at every level. Thus he reports on the official European-level developments in the quest for better indicators for societal progress. He shows that the problem of growth has to some extent reached even top political levels, although results are still to be seen.

Lutz Brangsch is even more critical of the proposed "new growth discourses". According to Brangsch, the issue is one of progress: which kind of societal change ought to count as progress in the first place? Also, Brangsch argues, we ought to look at the social relations behind the growth paradigm, and aim at rethinking these.

Chantal Delmas discusses the link between jobs and growth. In asking whether this link is a myth or reality, Delmas shows that although there are some proposals and strategies for ecological improvement, which would allow for increased employment levels, these cannot come without active political intervention. Delmas also analyses some general problems of the GDP as an indicator of societal change, as well as the difference between the economic and social value of certain professions.

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## Let's Talk about Money, Value and Wealth.

Jean-Marie Harribey<sup>1</sup>

There are hardly any socially or ecologically oriented movements or theoreticians who do not recognise the global nature of the crisis the world is experiencing today. Nevertheless, proposals for getting out of the crisis differ widely. While unanimously rejecting the headlong rush into more productivism, some support the idea of sustainable development, others reject this idea in its prevailing form but opt for a radically redefined form of qualitative development, and yet others have chosen to support the idea of negative growth.

I have been critical enough elsewhere of the ideas that underlie the notion of sustainable development as concocted by international bodies and all the establishment authorities. I can, therefore, concentrate here on what I think needs to be specified: the real contradictions, misunderstandings aside, between the redefinition of qualitative development and the idea of negative growth.

Let us start with an analysis of the crisis, of its issues in terms of social, political and civilisational contradictions, and try to examine some of the obstacles to overcoming the blocks that persist at the very heart of these anti-productivist and anti-capitalist trends. This involves the issue of transition to a thrifty society of solidarity and that of conceptions of currency, wealth and value.

### *In what way is the crisis global?*

To put it succinctly, the global character of the crisis is due to three series of factors, which mutually reinforce one another.<sup>2</sup> The crisis is global because it involves all the countries of the world and all the main sectors of economic activity. To this extent it is deeper than the Great Depression of the 1930s, because then only the major centres of capitalist development - North America and Western Europe - were involved. Today, not only the rich countries, but also the so-called emerging countries, as well as the poor countries, are to varying degrees involved in this planetary maelstrom. Starting from the very heart of capitalism, the United States, the crisis very rapidly spread to the Triad and then to the periphery of the system.

The crisis is global also because of its systemic character, on many levels. The system of financial accumulation is not sustainable either in terms of wealth sharing or in the proliferation of speculative techniques. The crisis has spread from the financial to the economic, social and ecological levels. Indeed, the system's logic makes it go beyond the limits of social and ecological bearability. The crisis is also geopolitical, because the balance of power in the world has evolved and no longer resembles that of the immediate post-war years. Imperialism has not changed its nature, but the forms and protagonists have changed. This crisis is also an intellectual crisis, because neoliberal ideology has lost its legitimacy: the market, competition, free trade, laissez-faire and the lure of profit have been shown not to lead to general well-being.

Finally, the crisis is global because it undermines relations between society and science. Science has been, for several centuries, one of the main pillars of "progress" and one of the principal sources of political legitimacy. However, at the beginning of the 21st century, science has become increasingly subordinated to the requirements of capitalist economy and, in turn, society has become less in tune with the definition and objectives of research.

This multidimensional character becomes more evident if we drop the current presentation of the crisis as originating in a dysfunction of the financial system. In reality, the deepest origin of the crisis is the social crisis. By this I mean the considerable degradation of social relations. The diminution of labour's share of produced wealth and the dilapidation of public services and of social protection have nourished financial incomes. This has encouraged the development of a rootless financial machine that has ended up exploding. In other terms, globalised capitalism is going

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<sup>1</sup> <http://harribey.u-bordeaux4.fr> ; <http://alternatives-economiques.fr/blogs/harribey>.

<sup>2</sup> See Attac (dir. J.M. Harribey et D. Plihon), *Sortir de la crise globale, Vers un monde solidaire et écologique*, Paris, La Découverte, 2009. (Getting out of the Global Crisis: Towards an Ecological World of Solidarity).

through a serious structural crisis because the intensification of its logic of profit for unending accumulation has led it to sacrifice the two pillars on which it rests, and which it cannot do without: human beings and nature. André Gorz already described the structural crisis of capitalism in the late 1960s and early 70s in these terms: “We are dealing with a classical crisis of accumulation, complicated by a crisis of reproduction due, in the last analysis, to the increasing scarcity of natural resources”<sup>3</sup>.

Is this a moral crisis? The generalised deregulation of a system calls into question the values that it thought it could impose on the world as a whole and on every culture, in particular the “financial value” it had set up as the summit of all “values”. Nevertheless, the insistence with which the supporters and principal ideologists of the system are determined to “moralise capitalism”, and even to “radically reform” it, must be questioned. It is, basically, a diversionary strategy organised by the dominant classes. Looking for a scapegoat when there is a threat of social revolt is a classical ploy and there is no lack of candidates: Kervel, Madorff and other “rogue bosses”.

The thesis of voracious finance as opposed to allegedly virtuous industrial capitalism cannot withstand an even cursory examination. This is because it was the deterioration in social relations inside the productive economy which fed financialisation during the last thirty years: less wages and less social protection has meant more profits for the shareholders. In addition, the financial sphere is a necessary factor in the circulation of capital, which sets workers in competition with one another, and, inversely, the increase of financial value cannot be realised without the productive sphere. The financialisation of capitalism has only exacerbated the contradiction between the necessary circuit M-P-M' (money-capital to the process of production to money at a higher level), and the permanent but illusory temptation to avoid this by cutting directly to the goal (M-M'). In the end, any diversionary strategy is an attempt to avoid revealing the class nature of such a crisis.

Even if there is some basis in describing the crisis as an anthropological one, which finds its origin in human excessiveness,<sup>4</sup> in hubris<sup>5</sup>, this is dangerous. Indeed, if social structures, social relations, their organisation and political choices are powerless against this universal invariant, every attempt at transforming them would be in vain. In other words, in place of the linear technical progress leading to social progress, or of a certain Marxist Messianism frequently expounded in the 20th century, there would be an inalterable curve, an inevitability similar to individual death. History thus would be impossible. Instead, everything would rest with the individual; social transformation could only be shifted onto the individual and collective action would lose all legitimacy.

It would be just as dangerous to locate the origin of all problems at the level of ideas. Indeed, this is subject of debate in the very heart of the negative growth trend. In making negative growth a belief, Serge Latouche, referring to Castoriadis, writes: “A programme of national negative growth seems paradoxical. There is little chance that realistic and reasonable proposals would be carried out, let alone succeed without total subversion. This presupposes changes in belief that only the achievement of a fruitful utopia in an autonomous and convivial society could generate”.<sup>6</sup> This is as good as saying that the transformation of society is impossible since it presupposes that the problem has already been resolved. Paul Ariès is obliged to qualify the remark: “Negative growth is an explosive bomb of a word, aimed at smashing the dominant ideology. Nevertheless, it is not destined to remain a simple way of decolonising the imagination but must become a real political project”.<sup>7</sup> This is, indeed, the problem that society must seize boldly.

### *Thinking about transition*

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<sup>3</sup> A. Gorz, *Ecologie et politique*, Paris, Seuil, 1978, p. 29-35.

<sup>4</sup> This is the thesis of J.P. Besset, *Comment ne plus être progressiste sans être réactionnaire* [How to Stop Being Progressive Without Being Reactionary], Paris, Fayard, 2005. Voir J.M. Harribey, « Toute critique radicale est-elle recyclable dans la décroissance ? (Can all radical criticism be recycled as negative growth?) », *Contretemps*, n° 18, February 2007, p. 142-149, <http://harribey.u-bordeaux4.fr/travaux/soutenabilite/cr-aries-besset.pdf>.

<sup>5</sup> S. Latouche, *Petit traité de la décroissance sereine (A little treatise on clear negative growth)*, Paris, Mille et une nuits, 2007, p.39.

<sup>6</sup> S. Latouche, *Petit traité de la décroissance sereine*, (A little treatise on clear negative growth) *op. cit.*, p. 117.

<sup>7</sup> P. Ariès, *La décroissance, Un nouveau projet politique*, (Negative growth — a new political project) Paris, Golias, p. 11.

Where are the points on which the theories of negative growth and those that call for a qualitative development differ? It would not be the critique of productivism, even if these theories do not have the same view of the balance between the responsibility incumbent on capitalist accumulation and on human excess, leading them to different social and ideological concerns. Nor is one point the determination to reduce the ecological impact or the rejection of the now officially adopted slogans of sustainable development. Similarly, the fact that perpetual negative growth is impossible is now a point shared by all ecologists, whether or not they are supporters of negative growth. We must welcome the fact that recent publications have broken with the ambiguities surrounding democracy, humanism and human rights,<sup>8</sup> values that, today, are fully recognised by many ecologists — few still advocate their absolute relativism.

To better characterise the division, it should be stressed that one of the fathers of negative growth, Nicholas Georgescu-Roegen, said the exact opposite of what those who claim to be his followers say today, since he distinguished between growth and development: “A great confusion permeates the controversies about “negative growth” simply because this term is used in many senses. A confusion against which Joseph Schumpeter constantly warned the economists, that is of confusing growth and development. (...) At the purely logical level, there is no necessary link between development and growth; development can be conceived without growth. It is through their failure systematically to make the above distinctions that it has been possible to accuse the defenders of the environment of being enemies of development. In fact the real defence of the environment must be centred on the global rate of exhaustion of natural resources (and the resulting rate of pollution)”.<sup>9</sup>

However, at this stage in the debate it seems to me more important to stress the strategic problem facing all the social movements (by which I mean the movements acting within society, including those specifically ecological) that are acting in a perspective of transforming society: thinking about the transition or transitions from an unequal, wasteful, and predatory society to a thrifty and protective society of solidarity”.

This transition raises, first of all a problem in relation with time. Indeed, the alternative modes of production and consumption presuppose a deep-seated transformation of systems of power supply, transport, town planning and housing. This transformation will probably be spread over several decades, during which considerable investments and reconversions will be needed. Indeed, Latouche agrees: “Time will be needed to relocate production, exchanges and ways of life”.<sup>10</sup> To ensure this transition, I formerly proposed the formula of “decelerating growth” for the richest countries as a first stage towards the shrinking of predatory production, associated with a fair sharing of wealth and gains in productivity”,<sup>11</sup> that is as a first stage in dissociating well-being and economic growth. This idea was greeted with hostility by those of the negative growth tendency,<sup>12</sup> but today things seem to be seen differently, since yesterday’s sceptics are theorising

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<sup>8</sup> In particular P. Ariès, *La décroissance (Negative growth)* op. cit., et V. Cheynet, *Le choc de la décroissance*, Paris, Seuil, 2008. Et S. Latouche, long hesitant about this issue, writes, today : « La voie de la décroissance n’est ni moderne, ni anti-moderne. Nous inscrivons pleinement notre projet dans la filiation des Lumières, pour le meilleur sinon pour le pire, celui d’une émancipation de l’humanité et de la réalisation d’une société autonome. », (The negative growth way is neither modern nor anti-modern. We see our project to be, for better or worse, a continuation of the Enlightenment, for the emancipation of humanity and the achievement if an autonomous society), in « Brèves notes pour un ethos de la décroissance » (Short notes for an ethos of negative growth), *Entropia*, « Crise éthique, éthique de crise ? » (An ethical crisis or an ethic of crisis), n° 6, spring 2009, p. 176. We should only remark that to locate his ideas as a continuation of the Enlightenment is precisely modern and not “neither/nor”).

<sup>9</sup> N. Georgescu-Roegen, *La décroissance*, *Entropie, écologie, économie*, Paris, Sang de la terre, 1995, p. 104-106.

<sup>10</sup> S. Latouche, *Petit traité de la décroissance sereine*, op. cit., (A little treatise on clear negative growth) p. 119.

<sup>11</sup> Attac, *Le développement a-t-il un avenir ?*, op. cit., (Does negative growth have a future?) p. 156 et 205, 217, 218, 219, 220.

<sup>12</sup> P. Ariès, *La décroissance*, op. cit., p. 172 et 285 ; S. Latouche, *Le pari de la décroissance*, (The gamble of negative growth) Paris, Fayard, 2006, p. 34.

about the idea of slowing down,<sup>13</sup> which, strictly speaking, is a synonym of deceleration. The proposal of “selective negative growth”<sup>14</sup> was more or less identical.

One may be surprised by such a harsh opposition and lack of understanding. However, we can hypothesise that, implicitly, the debate on the nature of the forms of wealth to promote and those to reduce had not yet taken place. Fortunately, we are no longer discussing whether all production should be reduced, and for every one at that. It is now accepted that this is not the case, but there is not yet a consensus on the areas of production that should be reduced. The best example of this is in the area of non-commercial production, essentially education and health services. Certainly, the ecological impact of education, public health and mass transport, etc. is not negligible. But any reduction in inequality involves, to a great extent, access to all these services. If reduction in their production and consumption, or even putting a ceiling on them, is applied, even in the short term, it would put an end to any hope of inverting the dominant logic, and would condemn the poor to become even poorer. The improvement in the quality of non-commercial services implies increasing the means at their disposal, not reducing them, in view of the dilapidated state in which capitalism has left them.

It is not surprising that the discussions of what kinds of production are to be favoured over others lead to the question of work — which is another controversial issue within ecological politics. At least three factors need to be clarified on this subject. The first relates to the nature of labour in modern societies and its evolution. I think that work has an anthropological character because human beings must produce the material conditions of their existence and the social and historic context that shapes it because of this necessity. This leads to an ambivalent situation: work is both a factor of social integration and a factor of alienation. Denying either of these two aspects seems to me to be reductive and leads to illusions of theory (the end of work) and policy (abandoning full employment of higher quality<sup>15</sup>).

The second point follows from the previous one: replacing subsistence income by redistribution of work is based on an optical illusion. The guarantee of a decent income for every individual can be justified politically and philosophically, but it cannot be based on the idea that work is not the origin of all monetary revenue distributed in society. This would mean to reintroduce the myth of the fertility (in terms of economic value) of machines, capital and finance.

The third point follows from the two preceding ones. “A spectre is haunting capitalism: the spectre of free availability”, said Pierre-Noel Giraud,<sup>16</sup> in a good and heartfelt formula. The frenzy in which the “hadopi” law<sup>17</sup> was passed illustrates it well. Here too, however, the origin of that free availability must be identified. One kind of free availability is a gift of nature, which places us under the obligation of protecting “public property” from being taken over or irreparably destroyed. One form of free availability is produced because, in certain areas, labour productivity becomes very high and reduces the cost of production to almost nothing, which obliges us to share the fruit of this productivity with all human beings. There is also free availability that is socially and voluntarily built by socialising the payment of certain non-commercial services, enabling access to them by everyone. In these three kinds of free availability we can see the principal aspects of the difficult issue of value, of wealth and their expression, whether in money or not.

## Thinking about money, value and wealth.

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<sup>13</sup> P. Ariès, *La décroissance*, p. 310 et 321 ; S. Latouche, *Petit traité de la décroissance sereine*, op. cit., (A little treatise on clear negative growth) p. 57, note 1 et p. 88 et 137 ; V. Cheynet, *Le choc de la décroissance*, (The impact of negative growth) Paris, Seuil, 2008, p. 101-104.

<sup>14</sup> J.M. Harribey, « Vers une société économe et solidaire, Développement ne rime pas forcément avec croissance », (Towards a society of solidarity and thrift, Development does not necessarily go together with growth) *Le Monde diplomatique*, juillet 2004, <http://harribey.u-bordeaux4.fr/travaux/soutenabilite/developpement-croissance.pdf>.

<sup>15</sup> Voir J.M. Harribey, *L'économie économe*, (The thrifty economy) op. cit., and my comments on M. Postone's book, *Temps, travail et domination sociale*, (Time, labour and social domination) Paris, Mille et une nuits, 2009 :

« Ambivalence et dialectique du travail », (Dialectical ambivalence of labour) *Contretemps*, Nouvelle série, n° 4, 4e trimestre 2009, p. 137-149, <http://harribey.u-bordeaux4.fr/travaux/valeur/travail-postone.pdf>. Let me point out that I mean full employment in overall sense, including paid and unpaid forms of work.

<sup>16</sup> P.N. Giraud, *Le Monde*, 6 mai 2004.

<sup>17</sup> A law making the downloading of music and films a criminal offence.

Beyond this discussion on strategy, lies a theoretical point which is interesting to dissect, because it raises the problem of the status of money and the concept of value and wealth. Moreover, this problem is the subject of dissent among the supporters of negative growth and those of qualitative development.

The confusion between monetary and commercial and between non-monetary and non-commercial is recurrent in the critiques of the GDP.<sup>18</sup> It can be found as much among partisans of economic growth as among those who despise it. Thus the last report of the Economic, Social and Environmental Council (CESE) says: "Every time an activity passes from the non-commercial to the commercial, the GNP increases",<sup>19</sup> whereas the monetary aspect of the non-commercial is included in the GNP. Moreover, the CESE has an ambiguous position on leisure, regretting that the GNP takes no account of "leisure", that is of "moneyless activities".<sup>20</sup> Yet, although nothing would be changed by this addition in terms of well-being (or use values), the Stiglitz-Sen-Fitoussi Commission<sup>21</sup> has adopted the same stand.

These mistakes are not harmless, since they demonstrate ignorance about money. Money is certainly an instrument of the exploitation of labour power and of private accumulation when used as capital, but also a public tool through which socialised payment for non-commercial services can be organised. No one pays the medical staff in kind when they are treated in hospital: the health service is paid collectively in communal money.<sup>22</sup> In other words, both with regard to social sustainability and ecological sustainability, the rejection of commodification does not necessarily mean the rejection of monetisation. Money is a social institution that acts as a social operator for homogenising exchanges of every kind. Everything is connected: an understanding of the present global crisis, the nature and status of money, the theory of value and wealth, the concept of sustainability as an alternative to capitalist accumulation and the deterioration of planetary ecology.<sup>23</sup>

Indeed, there is a lack of understanding of the value/wealth dualism within certain trends of political ecology. In the name of a certain anti-economism, the categories of the critique of political economy are rejected — wrongly, since the "theory of value" is not an economic theory but a theory of social relations. Instead, there appears a neo-physiocratic interpretation that places the source of value in nature. Thus certain works,<sup>24</sup> transmitted in France by Yves Cocher,<sup>25</sup> have

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<sup>18</sup> Even A. Gorz, in *Ecologica*, Paris, Galilée, 2008, p. 125, makes this mistake: « Le PIB ne connaît et ne mesure les richesses que si elles ont la forme de marchandises. » (The GNP only recognises and measures wealth if it takes the form of commodities)

<sup>19</sup> CESE, « Les indicateurs du développement durable et l'empreinte écologique », (The indicators of sustainable development and the ecological impact). Draft advice presented by P. Le Clézio, 11 May 2009, p. 9, <http://www.conseil-economique-et-social.fr/rapport/pravi/PA090127.pdf>.

<sup>20</sup> CESE, « Les indicateurs du développement durable et l'empreinte écologique », op. cit., p. 9 et 62. For a critique of the integration of leisure in national accounts, see J.M. Harribey, « Le temps libre et la nature n'ont pas de prix » (Free time and nature are priceless), in *Raconte-moi la crise*, (Tell me tales about the crisis) Éd. Le Bord de l'eau, 2009.

<sup>21</sup> J. Stiglitz., A. Sen, J.P. Fitoussi [2009], *Performances économiques et progrès social, Richesse des nations et bien-être des individus*, (Economic performance and social progress, the wealth of nations and individual wellbeing) volume I, Paris, O. Jacob ; *Performances économiques et progrès social, Vers de nouveaux systèmes de mesure*, (Economic performance and social progress, Towards new systems of measurement) volume II, Paris, O. Jacob ; for a critique see, J.M. Harribey, « Richesse : de la mesure à la démesure, examen critique du rapport Stiglitz » (Wealth: from measure to excess, a critical examination of the Stiglitz report) review of Mauss, « La gratuité, Éloge de l'inestimable », (Gratuitness, In praise of what is priceless) n° 35, 1er semestre 2010, p. 63-82, <http://harribey.u-bordeaux4.fr/travaux/valeur/stiglitz.pdf>.

<sup>22</sup> There is no "commercial money" and "non-commercial money" despite the idea supported by D. Baba, « Vive la Sécu (1), (2) et (3) », *La Décroissance*, n° 58, 59 et 60, avril, mai et juin 2009. See <http://alternatives-economiques.fr/blogs/harribey/2009/06/23/la-monnaie-permet-le-non-marchand-paradoxe/#more-26>.

<sup>23</sup> Another issue that I am not dealing with here concerns what would become of the change in GNP in a non-productivist society. If polluting and predatory production is replaced by a clean and thrifty forms of production, this would probably need more labour, both direct and indirect, than the former. Its value would thus be greater and we cannot know in advance whether the multiplication of quantities by price would lead to a greater or lesser GNP.. See J.M. Harribey, « La richesse à tout prix », (Wealth at any price) <http://alternatives-economiques.fr/blogs/harribey/2009/06/17/la-richesse-a-tout-prix/#more-25>.

<sup>24</sup> R.U. Ayres, « Two paragims of production and growth », *Fontainebleau*, Center for the Management of Environmental Resources, INSEAD, 2000 ; R.U. Ayres, « The minimum complexity of endogenous growth model : the role of physical resource flows », *Energy-The International J.*, 2001, 26, p. 817-838 ; D. Lindenberger, R. Kümmel,

claimed to refute neoclassical theory by proposing a Cobb-Douglas production factor that includes energy alongside labour and capital. Yet the principle of introducing this had been raised by the pioneers of models of growth from the 1950s to the 1970s, in particular by Solow<sup>26</sup> and Stiglitz<sup>27</sup>, with the explicit aim of introducing the environment in the model of general balance.

Far from initiating a critique of the dominant economic theory, this introduction of the environment in the model of balance perfected it as well as illustrating its complete dead end: the acceptance of the hypothesis that factors of production can be mutually substituted; the identification of the output shared between the owners of alleged "factors" of production with the productive contribution of each; the confusion between the context needed for the production of economic value and the value so created.<sup>28</sup> It thus follows that crediting substitutable factors (the only ones that can supply a mathematical breakdown of the ad hoc rate of variation in order to justify the distribution of revenues under capitalism) with the function of being productive obliges one to abandon a crucial aspect of the critique of productivist capitalism. If the complementary character of the inputs is considered, the notion of a limiting factor becomes imperative: nothing is produced if there is no energy, but this does not allow the conclusion that energy produces 100% of the value, or for example, that oil creates more surplus value than labour - this is nonsense. It shows the confusion between the opportunity for producing surplus value (when oil or any other commodity is produced) and the "factor", that is to say the creator of the value of this product. It is a matter of logic that does not carry any a priori prescriptive judgement and leaves the door open to the social decision: either to choose to go still further forward in productivism or call a stop.

Using the notion "productivity of resources"<sup>29</sup> means to accept the neoclassical concept of the alleged productivity of capital. Only the opposite notions of the intensity of the production of natural resources or of capital have any sense. In other words, the ecologists are right when they stress the positive correlation between the increase of GNP and the use of energy and natural resources in general, despite dematerialisation relative to the economy and decreasing resource-intensity in production. However, they are wrong when they think that this correlation can be identified with the economic value created.

As against this, it must be repeated that the nature of use-value is incommensurable with economic value: in their natural state, natural resources are a form of wealth, but have no intrinsic monetary value. This thesis underpins four propositions:

- 1) Natural resources are a form of wealth.
  - 2) They can only acquire economic value by the operation of human labour (oil lying at the bottom of oceans has no economic value if it is inaccessible or if it is not searched for; the eventual monopoly income, if there is appropriation of a resource, is a fraction of the social surplus generated by productive labour).
  - 3) They do not themselves create value although they are indispensable to the production of wealth and new values through labour.
  - 4) If, in the context of human activity or outside use, the choice is made to preserve the balance of ecosystems, it is on behalf of "values" that are not of economic but of political or ethical origin.
- In conclusion, since the concepts of wealth and value, imposed by capitalism, are at the very heart of the global crisis it is going through, the ends of labour, the sharing of wealth and the

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« Energy-Dependent Production Functions and the Optimization Model "PRISE" of Price-Induced Sectoral Evolution », *Int. J. Applied Thermodynamics*, Vol 5 (n° 3), sept. 2002, p. 101-107, <http://theorie.physik.uni-wuerzburg.de/TP1/kuemmel/IJAT.pdf>.

<sup>25</sup> Y. Cochet, « Economie et thermodynamique » (*Economics and thermodynamics*), *Cosmopolitiques*, n° 9, juin 2005, p. 15-30.

<sup>26</sup> R. Solow, « A contribution to the theory of economic growth », *Quarterly Journal of Economics*, vol. 70, 1956, p. 65-94.

<sup>27</sup> J. Stiglitz, « Growth with exhaustible natural resources: efficient and optimal growth paths », *Review of Economic Studies*, Symposium on the Economics of Exhaustible Resources, Edinburgh, Longman Group Limited, vol. 41, 1974, p. 123-137.

<sup>28</sup> developed this rather technical argument in J.M. Harribey, « La misère de l'écologie », (*The poverty of ecology*) *Cosmopolitiques*, n° 10, septembre 2005, p.151-158, <http://harribey.u-bordeaux4.fr/travaux/soutenabilite/misere-ecologie.pdf>.

<sup>29</sup> CESE, « Les indicateurs du développement durable et l'empreinte écologique », *op. cit.*, p. 15 et 25.

appropriation of nature should be called to question. It is to this necessary triple revolution that the proposals of reducing inequality, reducing working hours and de-commercialising society refer, expressed in very close and complementary terms by Marx and Polanyi<sup>30</sup>. These I consider to be alternatives at the present time to the general slogan of negative economic growth.

Finally it could well prove impossible to emerge from the crisis without emerging from the capitalist system which, for the first time in history, has placed societies close to limits, the overstepping of which could be fatal. Thus we should not just repeat the old plan, which moreover failed, of emerging from capitalism while satisfying ourselves with changing the owners of property. That is where the real difficulty lies: the capital/labour relations continue to structure the world, but all the forms of domination are not reduced to these. All in all, reasons to think of articulating anthropological, social and natural matters.

## **In Search for a (New) Compass -How to Measure Social Progress, Wealth and Sustainability?**

**Josef Baum**

“Those attempting to guide the economy and our societies are like pilots steering a course without a reliable compass. The decisions they (and we as individual citizens) make depend on what we measure, how good our measurements are and how well our measures are understood”.<sup>31</sup>

Every day, every hour, we hear the mantra of growth solving almost all problems. On the other hand, we see the destructive implications of the present growth model, such as oil spill catastrophes. What then is the solution: growth, degrowth or something else?

There have been conferences on “de-growth” in some countries (for example, a large one in France 2008, in January 2010 in London and Vienna, February 2010 in Italy and March 2010 in Barcelona). At these conferences there were some very interesting ideas, worthy of discussion. Yet a general feature of almost all contributions is the absence of analysis of ownership structure, capital accumulation and of the profit incentive generally.

### **What should grow?**

The history of discussing growth from a socio-ecological point of view goes back at least 30 years. Walter Hollitscher, an Austrian materialist philosopher maintained, in discussions occurring in the late 1970s, that the only thing which should definitely grow is the satisfaction of needs. Basically, from a socio-ecological point of view the question of growth or de-growth is simple: there cannot be a yes or no answer. Some flows, stock, and activities should grow; others should not grow but decrease, for example, the production of weapons.

It does not seem useful to use “de-growth” without indicating what should decrease, because the general use of the notion “de-growth” easily can easily also be understood as an undifferentiated attack on the standard of living and livelihood of many groups of people, especially broad low-income sectors of society. But if we go into details beyond yes and no then the matter quickly becomes difficult because of the measurement problem. More in depth, the measurement concepts are defined by the power of ruling forces and reflect the actual driving forces of our societies.

### **Growth, de-growth or what else?**

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<sup>30</sup> K. Polanyi, *La grande transformation, Aux origines politiques et économiques de notre temps*, (The great transformation: on the political and economic origins of our times), 1944, Paris, Gallimard, 1983.

<sup>31</sup> Commission on the Measurement of Economic Performance and Social Progress: Report by the Commission on the Measurement of Economic Performance and Social Progress. <http://www.stiglitz-sen-fitoussi.fr/en/index.htm> September 14<sup>th</sup> 2009, p.9

Measurement and action are strongly connected. But when measurements are flawed, decisions may be too: “We often draw inferences about what are good policies by looking at what policies have promoted economic growth; but if our metrics of performance are flawed, so too may be the inferences that we draw”.<sup>32</sup>

It is a fact that despite the clear expounding, for decades now, of the faults and shortcomings of the GDP as a measurement, the latter remains almost unchallenged outside some small circles of academics; evidently because it is serving the interests of capital accumulation with the profit incentive, which shapes the overall monetarisation (and commodification – things become commodities, are bought and sold, within capital accumulation). But to a certain degree regulation can influence this basic structure.

There are two main conceptual areas lacking in mainstream concepts of GDP: the area of social issues and that of ecological issues). There has been some experience with supplementing these fields. But primarily it is not a matter of technical measurement, at least not primarily. It is the question of the lack of a basis in the analysis for long-term development. “It has long been clear that GDP is an inadequate metric to gauge well-being over time particularly in its economic, environmental, and social dimensions, some aspects of which are often referred to as sustainability”.<sup>33</sup>

The problems of growth are not only ecological questions; the (socio)-ecological dimension is also central – not only because of the quality of life but because of the future of mankind. What is here called “measurement problem” reflects the necessity to define the “agenda”: what should grow/develop? How can we measure and analyse this?

For the positive alternative the use of “sustainability” seems, despite its ambiguity, to be adequate although up to now this keyword has been usable in the broad political sphere, since no better alternatives are in sight, and from a political viewpoint the fuzziness of the notion can be a useful umbrella for various movements.

### **Basic factors - profit as the driving force**

The most important driving force is the process of capital accumulation with the profit incentive, which shapes the overall evaluation by monetarisation (and commodification). The GDP reflects transactions on markets.<sup>34</sup> The dominant driving force of transactions on industrial markets is profit on capital and reproduction or accumulation of capital. An average profit rate is usually taken for the discount rate for the evaluation of future values and future loss. Giving more weight to future values would imply lower profit rates. So some shareholders are not interested in the relativisation of markets.

The central point is the tackling of capital accumulation. There are many arguments that capital accumulation as we know it is not compatible with sustainability, and that “green capitalism” will not be feasible. But we should be careful: capitalism as a long-existing system has been very flexible. Yet the answer can only be a probabilistic one. And to a certain degree regulation can influence this basic structure.

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<sup>32</sup> Commission on the Measurement of Economic Performance and Social Progress: Report by the Commission on the Measurement of Economic Performance and Social Progress. <http://www.stiglitz-sen-fitoussi.fr/en/index.htm> September 14<sup>th</sup> 2009, p.7

<sup>33</sup> Commission on the Measurement ....., p.8

<sup>34</sup> “As statisticians and economists know very well, GDP mainly measures market production – expressed in money units”. Commission on the Measurement of Economic Performance and Social Progress: Report by the Commission on the Measurement of Economic Performance and Social Progress. <http://www.stiglitz-sen-fitoussi.fr/en/index.htm> September 14<sup>th</sup> 2009, p.12

The link of jobs and growth is practically the most important. Generally, it depends on the balance of power and the concrete form of transition. In general, a sustainable approach is less resource intensive and more labour intensive. One illustration: if the transport system is shifted from cars to more environmentally friendly trains and buses then this is more labour intensive because much of the private driving time is replaced by public jobs. But the quality and wage rate of these jobs are not pre-determined but are a result of struggle.

To the question of lifestyle: It should be stressed that “needs” are shaped and developed to a large degree by marketing and advertisement. The huge expenses of big companies are often underestimated in their relevance, not only for the shaping of needs but also for the domination over small and medium enterprises, for example by “branding”. As an implication for policy, high taxation of advertisement for non-local marketing should be stressed as a first step.

So from a left point of view short-term proposals should be made for the transition and also for measurement concepts, which are to be connected to incentives for individuals, companies and public institutions. These transitional proposals should be in the direction of long-term alternatives with probably completely new systems of driving forces, measurement of wealth and incentives.

So at least 3 tasks are on the agenda:

- To evaluate the current paradigm of growth
- To offer short-term proposals
- To formulate long-term alternatives (here there are good intentions, but very little substance)

### **New fundamentals for the left**

The situation is aggravated by the necessity for rational and rapid action to face climate change challenges and to have a compass for this huge endeavour.

The new, special and fundamental story which the left often has not fully grasped until now – though for some years it has been completely evident – is that climate change imposes deadlines. In short, the overwhelming scientific consensus is that that a global increase of more than 2 % Celsius is threatening the foundations of civilisation, and that to avoid this development it is necessary to reduce the use of fossil energy by 80 % by 2050 globally. Because of the historic use of resources by industrial countries and the level of development achieved by this use, a fair global solution – and only a fair solution will be a feasible solution - implies a reduction of the use of fossil energy by 80 - 95 % by 2050. If one calculates this in annual rates this entails a tremendous challenge unlike anything so far seen in history – and it is very doubtful that the capitalist system can meet this challenge. The problem is worsening because every day not used to effect the change further increases the problem. Evidently, with Copenhagen and the latest developments in the USA, with the sharp reinforcement of the positions of the “climate sceptics”, windows of opportunity are being closed for years to come, and they can only be opened again through strong social movements.

To be still more precise: To achieve the 2 % Celsius target and not exceed thresholds there is only a definite and limited quantity of greenhouse gases that can still be emitted; and these greenhouse gases that may still be created are admissible if resulting from the process of developing, rebuilding and renewing all infrastructure, energy production, construction, and transportation in a low-carbon-technology mode. This task is therefore not a task of years but of decades. The task of reaching the 2 % Celsius target will be successful if we do not waste this remaining amount but use it for a socio-ecological transition.

But let's also see it positively: The chances are great that it will become evident for broad masses that only by (global) fairness and justice the bases of civilisation can be preserved. The myths of capitalism will probably be destroyed by increasing consciousness of the climate mess. (Already in the heart of financial capitalism even Sir Stern declared in the famous Stern Report: “Climate

change is the greatest market failure the world has ever seen".) And the principle of (global) solidarity as a prerequisite of necessary global solutions will be put on the agenda (and this has been, is and will be the agenda of the left).

### **New developments in mainstream policy and institutions**

Recently in Europe some important milestones were reached - after years of discussion: On November 20, 2007 there was a seminal broad conference<sup>35</sup> which established a new scale for the discourse on measuring wealth and sustainability. The conference "Beyond GDP – Measuring Progress, True Wealth, and the Well-Being of Nations" was directly supported by the EU, the European Parliament and OECD. Prepared with papers from a lot of organisations and institutions, high-ranking stakeholders, up to the President of the Commission of the EU, were active participants.

The Communication from the European Commission on "GDP and Beyond" was published on August 20, 2009.<sup>36</sup> Analysing the document, there is some (albeit limited) concrete progress especially in the creation of a new comprehensive environmental index (but only published annually). Many shortcomings of GDP are noticed. But the strict domination of the GDP remains in EU policy. At any rate, the statistical work is a precondition for better measurement of (un)sustainability. This will be improved, and other gradual steps require further discussion.

"Five actions to better measure progress in a changing world"<sup>37</sup> are proposed:

- Complementing GDP with environmental and social indicators;
- Near real-time information for decision-making;
- More accurate reporting on distribution and inequalities;
- Developing a European Sustainable Development Scoreboard;
- Extending National Accounts to reflect environmental and social issues.

Although at the above-mentioned conference there were also discussions of ideas on "Replacing GDP", the decision is now clear. For many years to come, GDP will have a very important function. The reason given for "complementing GDP": "Gross Domestic Product (GDP) is a powerful and widely accepted indicator for monitoring short to medium term fluctuations in economic activity, notably in the current recession. For all of its shortcomings, it is still the best single measure of how the market economy is performing. But GDP is not meant to be an accurate gauge of longer term economic and social progress, nor [of] the ability of a society to tackle issues such as climate change, resource efficiency or social inclusion".<sup>38</sup>

The most important measure proposed under "Complementing GDP" seems to be the development and implementation of "a comprehensive environmental index" for helping to foster a more balanced public debate on societal objectives and progress. Alternative candidates for such a purpose, like the ecological and carbon footprints, were appreciated but deemed "limited in scope". So the methodological decision was made for a composite index. The Commission intends to present a pilot version of an index on environmental pressure in 2010.

This comprehensive environmental index will "comprise the major strands of environmental policy":

- climate change and energy use;

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<sup>35</sup> <http://www.beyond-gdp.eu/>

<sup>36</sup> Commission of the European Communities: Communication From the Commission to the Council and the European Parliament - GDP and beyond - Measuring progress in a changing world. Brussels, COM(2009) 433 final 20.8.2009

<sup>37</sup> Commission of the European Communities: Communication From the Commission to the Council and the European Parliament - GDP and beyond - Measuring progress in a changing world. Brussels, COM(2009) 433 final 20.8.2009

<sup>38</sup> Commission of the European Communities: Communication From the Commission to the Council and the European Parliament - GDP and beyond - Measuring progress in a changing world. Brussels, COM(2009) 433 final 20.8.2009

- nature and biodiversity;
- air pollution and health impacts;
- water use and pollution;
- waste generation and use of resources.

“The index will initially be published annually for EU and member states with the longer term aim being – if successful – to publish it in parallel to GDP. Complementary information on sub-themes and related environmental goals set on [the] EU and national level will be published too to allow for correct interpretation of the index”.

It is recognised that this main direction does not reflect the functional view: the emissions for production outside the EU of goods for consumption in the EU are not integrated (e.g. ecological footprint). The comprehensive environmental index “will reflect pollution and other harm to the environment within the territory of the EU to assess the results of environmental protection efforts”. But the Commission will “also continue to work on indicators that capture the environmental impact outside the territory of the EU (e.g. indicators to monitor the Thematic Strategy on Sustainable Use of Natural Resources) and will continue to support improvement of the Ecological Footprint.”

In addition to the creation and implementation of the comprehensive environmental index in the “working area of Complementing GDP with environmental and social indicators” the indicators of quality of life and well-being “could be a useful complement”, but this is of course too vague.

In the second working area, that of “near real-time information for decision-making”, it was argued that satellites, automatic measurement stations and the internet provide better opportunities to monitor the environment in real time. More timely environmental and social indicators are to support political decisions. Existing measures will be developed further.

The third working area, “More accurate reporting on distribution and inequalities”, does not consist of new measures. It is more or less a compilation of existing procedures.

The fourth working area, “Developing a European Sustainable Development Scoreboard”, could develop into more substantial action when the clear criticism is considered: Within the EU Sustainable Development Strategy (SDS) the EU Sustainable Development Indicators (SDIs) have been developed to monitor progress in relation to the objectives of this strategy. Currently, a biennial Progress Report is published. The communication conveys the wish to improve the monitoring: The existing “monitoring tool does not fully capture recent developments in important areas that are not yet well covered by official statistics (such as sustainable production and consumption or governance issues)”.

The identification of “danger zones” before “tipping points” of ecosystems are reached should also be considered important. This would be an ambitious project because of complex interactions. “The cooperation of research and official statistics will be stepped up in order to identify – and regularly update – such threshold values for key pollutants and renewable resources in order to inform policy debate and support target setting and policy assessment”.

Under “Extending national accounts to environmental and social issues” the Commission stresses the orientation, to be reflected in future revisions of the International System of National Accounts and the European System of Accounts, of aligning with a more integrated environmental, social and economic accounting. The next step is the extending of data collection in relevant areas to all member states (physical environmental accounts for energy consumption, waste generation and treatment, and monetary accounts for environment-related subsidies). “The Commission aims to have these accounts fully available for policy analysis by 2013. To ensure the accounts are comparable the Commission plans to propose a legal framework for Environmental Accounting early next year”.

“A second area of environmental accounts relates to natural capital, in particular changes in stocks, the most advanced of which are the accounts on forests and fisheries stocks. The Commission will contribute to the work currently undertaken at UN level”.

In the question of general monetarising of environmental damage the standpoint is very cautious: In “complementing physical environmental accounts with monetary figures, based on valuation of the damage caused and prevented, changes in the stock of natural resources and in eco-system goods and services” only advances on the micro scale, “further research and testing” and “the further development of conceptual frameworks” is intended.

Finally, the Commission intends to report on the implementation and outcomes of the measures proposed by this Communication by 2012 at the latest.

The September 14, 2009 Report of the Commission on the Measurement of Economic Performance and Social Progress<sup>39</sup> made some useful general recommendations. It integrated many heterodox positions, and stated that “the time is ripe for our measurement system to shift emphasis from measuring economic production to measuring people’s well-being. And measures of well-being should be put in a context of sustainability”. The Commission closes the comprehensive report, after the eighteen-month work of an “all-star team”<sup>40</sup> of economists and other social scientists, seeing its report “as opening a discussion rather than closing it”.<sup>41</sup>

The mentioned report is worth a closer look: The GDP, the current “star” of mainstream measurement, is directed at the present and can clarify some development in the past, but cannot be helpful for future development. The financial crisis demonstrated that most systems of forecasting hardly were able to sound the alert as to the perils to come: “Neither the private nor the public accounting systems were able to deliver an early warning, and did not alert us that the seemingly bright growth performance of the world economy between 2004 and 2007 may have been achieved at the expense of future growth .... metrics which incorporated assessments of sustainability (e.g. increasing indebtedness) would have provided a more cautious view of economic performance”.<sup>42</sup>

Other examples could be given,<sup>43</sup> but here we want to stress especially the ecological issues: “We are also facing a looming environmental crisis, especially associated with global warming. Market prices are distorted by the fact that there is no charge imposed on carbon emissions; and no account is made of the cost of these emissions in standard national income accounts.”<sup>44</sup>

The main recommendations for improving the measurement of socio-economic performance:

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<sup>39</sup> “In February 2008, the President of the French Republic, Nicholas Sarkozy, unsatisfied with the present state of statistical information about the economy and the society, asked, Joseph Stiglitz (President of the Commission), Amartya Sen (Advisor) and Jean Paul Fitoussi (Coordinator) to create a Commission, subsequently called “The Commission on the Measurement of Economic Performance and Social Progress” (CMEPSP). The Commission’s aim has been to identify the limits of GDP as an indicator of economic performance and social progress, including the problems with its measurement.”- (Commission on the Measurement of Economic Performance and Social Progress: Report by the Commission on the Measurement of Economic Performance and Social Progress. <http://www.stiglitz-sen-fitoussi.fr/en/index.htm> September 14<sup>th</sup> 2009, p.14)

<sup>40</sup> Financial Times Deutschland 15-7-2009

<sup>41</sup> Commission on the Measurement of Economic Performance and Social Progress: Report by the Commission on the Measurement of Economic Performance and Social Progress. <http://www.stiglitz-sen-fitoussi.fr/en/index.htm> September 14<sup>th</sup> 2009, p.18

<sup>42</sup> Commission on the Measurement of Economic Performance and Social Progress: Report by the Commission on the Measurement of Economic Performance and Social Progress. <http://www.stiglitz-sen-fitoussi.fr/en/index.htm> September 14<sup>th</sup> 2009, p.7-8. This opinion refers only to “some members of the Commission”.

<sup>43</sup> Not only was the financial crisis not foreseen, but there was also a failure to predict other deeper developments, such as the political changes in 1989.

<sup>44</sup> Commission on the Measurement of Economic Performance and Social Progress: Report by the Commission on the Measurement of Economic Performance and Social Progress. <http://www.stiglitz-sen-fitoussi.fr/en/index.htm> September 14<sup>th</sup> 2009, p.9

- When evaluating material well-being, look at income and consumption rather than production.
- Emphasise the household perspective.
- Consider income and consumption jointly with wealth.
- Give more prominence to the distribution of income, consumption and wealth (average measures of income, consumption and wealth should be accompanied by indicators that reflect their distribution).
- Broaden income measures to non-market activities.

The following dimensions - many of them are missed by conventional income measures - should be considered simultaneously in measuring well-being and life satisfaction by both objective and subjective data:

Material living standards (income, consumption and wealth);

- Health;
- Education;
- Personal activities including work;
- Political voice and governance;
- Social connections and relationships;
- Environment (present and future conditions);
- Insecurity, of an economic as well as a physical nature.

The assessment of sustainability is considered to be complementary to the question of current well-being or economic performance, and should therefore be examined separately. "This may sound trivial and yet it deserves emphasis, because some existing approaches fail to adopt this principle, leading to potentially confusing messages. For instance, confusion may arise when one tries to combine current well-being and sustainability into a single indicator. To take an analogy, when driving a car, a meter that added up in one single number the current speed of the vehicle and the remaining level of gasoline would not be of any help to the driver. Both pieces of information are critical and need to be displayed in distinct, clearly visible areas of the dashboard".<sup>45</sup>

The issue of measuring current well-being is already complex, but more complex is the measurement of sustainability performance: "By its very nature, sustainability involves the future and its assessment involves many assumptions and normative choices". Thus "a pragmatic approach towards measuring sustainability" is recommended: "Sustainability assessment requires a well-identified dashboard of indicators. The distinctive feature of the components of this dashboard should be that they are interpretable as variations of some underlying "stocks". Then a very relevant conclusion is reached: "A monetary index of sustainability has its place in such a dashboard but, under the current state of the art, it should remain essentially focused on economic aspects of sustainability".<sup>46</sup>

More in detail, caution is urged for future conference in the monetary evaluation of natural stocks: "There are two versions to the stock approach to sustainability. One version just looks at variations in each stock separately, assessing whether the stock is increasing or decreasing, with a view particularly to doing whatever is necessary to keep each above some critical threshold."

"The second version converts all these assets into a monetary equivalent, thereby implicitly assuming substitutability between different types of capital, so that a decrease in, say, natural capital might be offset by a sufficient increase in physical capital (appropriately weighted). Such an

<sup>45</sup> Commission on the Measurement of Economic Performance and Social Progress: Report by the Commission on the Measurement of Economic Performance and Social Progress. <http://www.stiglitz-sen-fitoussi.fr/en/index.htm> September 14<sup>th</sup> 2009, p.17

<sup>46</sup> Commission on the Measurement of Economic Performance and Social Progress: Report by the Commission on the Measurement of Economic Performance and Social Progress. <http://www.stiglitz-sen-fitoussi.fr/en/index.htm> September 14<sup>th</sup> 2009, p.17

approach has significant potential, but also several limitations, the most important being the absence of many markets on which valuation of assets could be based. Even when there are market values, there is no guarantee that they adequately reflect how the different assets matter for future well-being. The monetary approach requires imputations and modelling which raise informational difficulties. All this suggests starting with a more modest approach, i.e. focusing the monetary aggregation on items for which reasonable valuation techniques exist, such as physical capital, human capital and certain natural resources. In so doing, it should be possible to assess the “economic” component of sustainability, that is, whether or not countries are over-consuming their economic wealth.”<sup>47</sup>

The OECD is running the comprehensive Global Project on Measuring the Progress of Societies, fostering the use of novel indicators in a participatory way.<sup>48</sup> Unquestionably these projects and documents are restricted in their framework and integrated into the system, but it is necessary to know them in order to go beyond them.

### **Trust and the potential of information society**

The development of sustainability indicators now could play a more important role in the awakening of new forms of environmental governance. Generally, the gaps between perception and official figures of measurements are significant: “In some countries, this gap has undermined confidence in official statistics (for example, in France and in the United Kingdom only one third of citizens trust official figures)”.<sup>49</sup>

“The 2008 Eurobarometer poll showed that more than two thirds of EU citizens feel that social, environmental and economic indicators should be used equally to evaluate progress. Only just under one sixth prefer evaluation based mostly on economic indicators. An international poll in 2007 gave similar results”.<sup>50</sup>

This is not only an issue of policy-makers and academics when we remember the discussion about statistical and felt inflation before the manifest crisis in 2008. On the one hand, we have an increasing complexity of society, and, on the other hand, there are new potentials that have emerged in the “information society”: available data, also online, and strong tools.

### **Alternative indicators**

The starting point and background is that there is no recognised general compass to evaluate the status and development of socio-ecological sustainability. There is also by no means a generally recognised theory for the complex processes of sustainable development. There are quite a lot of concepts focusing on different aspects of sustainability using different methods of weighing and aggregation of dimensions and factors of sustainability.

The measure of ecological footprint is rapidly gaining importance and has the advantage of a global view, but it belongs to the class of measures restricted to the ecological area (yet sustainability is not only about the environment). The foundations of measures integrating all fields of sustainability (like ISEW, the Index of Sustainable Wealth, which is very similar to the GPI (Genuine Progress Indicator)) still have many methodological problems; and it seems that the solution be not one but a few basic indicators of measuring sustainability and wealth (compare the

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<sup>47</sup> Commission on the Measurement of Economic Performance and Social Progress: Report by the Commission on the Measurement of Economic Performance and Social Progress. <http://www.stiglitz-sen-fitoussi.fr/en/index.htm> September 14<sup>th</sup> 2009, p.17

<sup>48</sup> The third conference within this framework was held on October 27-30, 2009 in Korea.

<sup>49</sup> Commission on the Measurement of Economic Performance and Social Progress: Report by the Commission on the Measurement of Economic Performance and Social Progress. <http://www.stiglitz-sen-fitoussi.fr/en/index.htm> September 14<sup>th</sup> 2009, p.7

<sup>50</sup> Commission of the European Communities: Communication From the Commission to the Council and the European Parliament - GDP and beyond - Measuring progress in a changing world. Brussels, COM(2009) 433 final 20.8.2009

set usually attached to the GDP in the current mainstream: rate of inflation, gross capital formation, public deficit, public debt current account); however, there will probably not be too many (the dozens of indicators in many data sets of (international) institutions loose relevance in policy). A promising concept seems to be the HPI (The Happy Planet Index) implemented, for example, by the New Economics Foundation and Friends of the Earth.

Other existing concepts reflecting restricted dimensions are:

ANS: Adjusted Net Saving as percentage of GNI - World Bank

HDI: Human Development Index - UNDP Human Development Report

Concepts with a high number of indicators are:

EEA-CSI: EEA core set of indicators - European Environment Agency

EU-SDI: EU set of Sustainable Development Indicators - European Commission,

MDG-DBS Dashboard of Sustainability - European Commission, DG JRC

One of these concepts of environmental accounting in an earlier stage of discussion in Europe<sup>51</sup> was the ecological correction of the GDP (Green GDP).

A review of some experiences in European countries in calculating a “green GDP” or additional calculation to the GDP (“satellite system”) shows significant variations between countries. The countries which have such projects implement different modules according to their own national needs. There is no country that has fully implemented the calculations based on the UN standards of the SEEA.

Norway was one of the pioneers in trying to develop “green accounts” at a national level. It has been dealing with green GDP for three decades now. Since 1972, national resource accounting (NRA) has been regarded as part of the tool kit for the management of natural resources and environment. Increasing attention was given to the concept of correcting the national accounts aggregate for depletion of natural resources and deterioration of the environment, i.e. the idea of developing a measure of a “green GDP”. Debates on “green GDP” are being held in the 1990s. However, later the idea was seen as impractical.

In Sweden, an Environmentally Adjusted Net Domestic Product (EDP) has already been in discussion for a long time. In 2001, Kristian Skånberg calculated an EDP for Sweden for the years 1993 and 1997. In order to account for qualitative and quantitative changes in the natural capital, the Net Domestic Product (NDP), where the depreciation of real capital has in a similar way been subtracted from the GDP measure,<sup>52</sup> was chosen as the point of departure. Consequently a (partial) EDP would be the appropriate measure in which depletion of natural resources and the assimilation capacity of the environment could be taken into consideration.

### **The path is most of the goal**

There have been some “waves” of initiating measurement of sustainability. The 1970s saw a kind of beginning, then there was development from the late eighties until the mid-nineties, and finally at the beginning of the first decade of the 21st century there has been a new drive in this field resulting in a broad variety of different projects and concepts. But we are still far from a commonly accepted foundation.

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<sup>51</sup> In 2007 in China, there was the official implementation of “green GDP” (it will continue to be accounted but will not be published).

<sup>52</sup> Kristian Skånberg: Constructing a partially environmentally adjusted net domestic product for Sweden 1993 and 1997- a presentation of the methodological steps and the empirical data, National Institute of Economic Research, Working paper, Stockholm 2001, pp. 2ff.

The economic crisis has made it difficult to argue for going “beyond GDP”. However, after many years of work and discussions unnoticed by relevant political institutions, the issues are now on important agendas but still are far from having sufficient solutions. There are big methodological and organisational problems in measuring sustainable development and social progress. But - accepting the aim of sustainability - the important issue is not “fine tuning” of measurement concepts but implementing (maybe only roughly) concepts for changing the direction of development. So the main impact of new measures is the increasing of awareness. In this sense (also) the path is a major part of the goal.

An intrinsic criterion of regional sustainable development is alignment and adaptation to regional conditions. Better or worse regional conditions can imply relatively low or high need for efforts or policy measures to achieve the same aim. Sustainable development, especially, is dependent on context. But this means that identical statistics in some parameters can indicate different stages of sustainability. Therefore, comparisons generally should be used carefully.

When evaluation of sustainable development is an evaluation of long term capabilities – that means we aggregate future values in a comprehensive form – then when comparing various regions one also has look at the past, otherwise the comparison is incomplete. This especially matters in comparisons between regions, because stages and patterns of industrialisation (especially regarding emissions and the environment) do not coincide temporally. More simply put: not only current comparisons of flows and stocks are relevant, but also the comprehensive view that includes the integration of the future and the past.

## **Economic “Indicators” are Really About Power. Political Dimensions of Object and Method in Debates on Growth**

**Lutz Brangsch**

The question of the character, perspectives and limits of growth is not new. It arose right at the beginning of the development of capitalism (Sismondi), received a strong impetus in the 1970s (Club of Rome), and is currently acquiring a new explosive character with the climate and food crises. Critique of growth was always a critique of society and an expression of crises or crisis-awareness – regarding such things as the social status of certain classes or strata (Sismondi) or even of the human race as a whole (Club of Rome). Over long periods of its history it had a tendency to romanticise economics, spurred by the hope that it might be possible to combine the dynamism of capitalism with social compromise and harmonise capitalist property (as a balance between small, medium and big capital).

These ideas, formulated by Sismondi in their classic form, are the most radical variant of the critique of growth still within the framework of the capitalist system. This critique referred both to the character of the developing productive forces (machine system) and to the relations of production and their social consequences (impoverishment of wage-earners, concentration of agriculture in enterprises organised along capitalist lines, separation of ownership and entrepreneurial functions). In this sense Sismondi was no socialist, aspiring as he did to what we might today call “good capitalism”.<sup>53</sup> Karl Marx characterised Sismondi’s dilemma as follows: “At the bottom of his argument is indeed the inkling that new forms of the appropriation of wealth must correspond to productive forces and the material and social conditions for the production of wealth which have developed within capitalist society; that the bourgeois forms are only transitory and contradictory forms, in which wealth attains only an antithetical existence and appears everywhere

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For a discussion of this concept see: Sabine Nuss: *Der Gebrauchsanleitungs-Kapitalismus*, in Luxemburg Heft 2/2010

simultaneously as its opposite. It is wealth which always has poverty as its prerequisite and only develops by developing poverty as well." This constantly confronts Sismondi with the question: "Should the state curb the productive forces in order to make them adequate to the production relations, or should the production relations be made adequate to the productive forces?"<sup>54</sup>

These inklings and dilemmas have determined the discussion of growth to this day. As in all other sociological discussions, we have to start with the question: Does one accept the possibility of a society which differs qualitatively from what is described today as capitalism (particularly with regard to the role of the market, property structure, and the unjust division of labour....) or does one not? Every debate proceeds from such presuppositions, which ultimately determine the course and conclusions of the discussion.

The fact is that the critique of growth has not made much progress since Sismondi. Thus the sage tome by Meinhard Miegel, *Exit. Wohlstand ohne Wachstum* (*Exit. Affluence Without Growth*),<sup>55</sup> reads like a continuation of Sismondi's arguments of nearly 200 years ago. However, although Miegel rightly questions the lifestyle and values, he does not go into the underlying power structures of the capitalist market and its highly characteristic driving forces. He rightly criticises "gambling and betting", but ultimately puts it down to human nature: "Man is obviously a gambler. If he gets the chance, nothing can hold him back".<sup>56</sup> This subjectivist viewpoint, the disregard for the human being's social nature, marks the discussions on the development of capitalism and its "growth" manifestation, so that the argument boils down to an attempt to square the circle. In its policy paper "Europe 2020" the EU calls for "smart, sustainable and inclusive growth". What is meant is "a vision of Europe's social market economy for the 21<sup>st</sup> century". In concrete political terms, this means accepting the following priorities:

"Europe 2020 puts forward three mutually reinforcing priorities:

- Smart growth: developing an economy based on knowledge and innovation;
- Sustainable growth: promoting a more resource-efficient, greener and more competitive economy;
- Inclusive growth: fostering a high-employment economy delivering social and territorial cohesion".<sup>57</sup>

This shows with particular clarity how closely the question of growth is bound up with policy. The aim is a capital-dominated, integrated and stable society, which means that questions of growth are questions of power.

### **Growth as a source of social legitimacy**

In order to be able to assess the current discussions and find yardsticks for our own political actions, we must examine the functioning mechanism of growth policy and the associated indicators.

In the broader economic and political discussion "growth" as a problem only crops up when capitalism is confronted with a crisis that threatens to delegitimise it politically. In the 19<sup>th</sup> century growth was perceived as a natural accompaniment of capitalist economics, not as a theoretical or policy problem. With the disappearance of monetarist and mercantilist views and the triumph of capitalist political economy (Adam Smith and David Ricardo), the focus shifted from the state to the company. The monetarists and mercantilists of the 17<sup>th</sup> and 18<sup>th</sup> centuries saw the aim of economic policy in filling the coffers of the state (in the Age of the Princes) or in a positive trade balance which would increase its tax revenues. But by the beginning of the 19<sup>th</sup> century, increasing the capital of the entrepreneur took priority. At this time, large-scale state intervention seemed largely

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<sup>54</sup> Elster, Jon (ed.), *Karl Marx: A Reader*, Cambridge, 1986, p. 326

<sup>55</sup> Miegel, M., *Exit. Wohlstand ohne Wachstum*, Berlin 2010

<sup>56</sup> Miegel, M., loc. cit. p. 24

<sup>57</sup> Communication from the Commission: *Europe 2020 A strategy for smart, sustainable and inclusive growth*, COM(2010) 2020 Brussels, 3 March 2010, p.3

unnecessary. In the second phase, with the onset of the capitalist crisis cycle, the question of balancing the economy took centre stage. Economic dynamism was seen from the point of view of creating a balance between the “factors of production”. In the third phase (mainly associated with Joseph Schumpeter) the growth problem was recognised as a problem of regulation. Growth as such became relevant as the aim of regulation. Growth seemed to signal an optimum distribution of the factors of production. Growth was the visible proof that in capitalism balance and economic dynamism could be combined.

Growth thus developed into an indicator of development and durability, an indicator of how far such a distribution of social resources had been achieved (with the aid of state regulatory instruments), enabling enterprises to develop, so that proper use was made of the capital invested, while at the same time a political situation had been achieved in which there were no significant social conflicts that could disturb the balance. This notion fitted in with the demands and concepts of trade unions, which saw in growth as outlined above the source of their scope for political action – growth meant jobs – jobs meant members – members (who were working) meant power, power meant being able to force through wage raises and other benefits during growth phases. Thus high growth rates seemed to both sides an expression of economic and political harmony. GDP and the process of measuring it using state statistics focused attention on income trends, on its significance as an indicator of the success of capitalism. Other aspects of social development were lost sight of.

In reality, however, this did not add up and never has. Behind the façade of growth, socially and ecologically destructive processes were always at work. But if one called the growth dogma into question, one had to call into question both the state’s political capacity to regulate and the apparently God-given nature of capitalism’s ability to develop as an economic system. At this point all previous discussions lose their force. Every time the power question was posed (and this goes in equal measure both for capitalism and for East-European style communism) the discussion was broken off.

On the other hand, there is the more or less open denial of the problem itself. The eighth, thoroughly revised edition of Paul Samuelson’s textbook Economics<sup>58</sup> deals with growth, but does not recognise any particular growth problem. In this textbook, which exercised an extraordinary influence for several decades after the end of the 1940s, crises, unemployment, etc. appear as “small ripples on the larger wave of economic growth”.<sup>59</sup> For Samuelson the slowing down of economic growth in the 1970s and 1980s was a “ripple”.<sup>60</sup> In reality, however, “the ripple” is the norm, and continuity only the statistically identifiable trend. The assumption of the God-given nature of capitalist economics, with its own competition mechanisms and fixation on “factors of production” (labour, capital, innovation), obscures the capacity to see the growth problem. Thinking is geared to the monetary result, not the material cost, which only appears as a cost factor, as an element of the capital invested. Pollution damage is classified as external costs for which society has to foot the bill. Resources are seen right from the start as economic potential to be put at the disposal of the utilisation process as a matter of course. But even Samuelson points out the limits of the Gross Domestic Product as a measure of prosperity, supplementing it with the Measure of Economic Welfare (MEW – introduced by Nordhaus and Tobin in 1972) as another way of measuring development.<sup>61</sup>

In the last analysis we have always been dealing with quantities – never with the social relations that manifest themselves in the actual processes of development and growth. This fundamental methodological approach of the God-given nature of the capitalist utilisation mechanism is even to be found in such critics of growth as Binswanger<sup>62</sup> or Ostrom. Although they, like other theorists

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<sup>58</sup> Samuelson, Paul A. / Nordhaus, William D.: *Volkswirtschaftslehre. Grundlagen der Makro- und Mikroökonomie*, 2 vols, Cologne, 1987

<sup>59</sup> Samuelson, Paul A. loc. cit. vol. 2 p. 563

<sup>60</sup> Samuelson, Paul A. loc. cit. vol. 2 p. 586

<sup>61</sup> Samuelson, Paul A. loc. cit. vol. 1 p. 199

<sup>62</sup> Binswanger, Hans Christoph, *Die Wachstumsspirale. Geld, Energie und Imagination in der Dynamik des Marktprozesses*, Marburg, 2006

(such as David W. Pearce, Robert K. Turner<sup>63</sup>, Amartya Sen et al., and for that matter the EU itself),<sup>64</sup> discuss in detail the follow-up costs of the use of resources in combination with growth, they are always ultimately concerned with calculating the cost of this usage. And having done so, how to reduce it. The subjects of the development processes described as growth play a role primarily from the point of view of their status as market subjects. The recognition that growth as it has existed so far is becoming a danger both to the system and to the human race, does not automatically mean that one has gotten to the root of the problem.

The shift in viewpoint to seeing growth in terms of use of resources should not just be dismissed, however limited it may be, as a new variety of capital accumulation, as mere apologetics and hence irrelevant to left strategies. This is a reflex of the deepening social character of the reproduction process. The introduction of new criteria of economic development is an expression of the recognition of a social reproduction and regulatory crisis and of the importance of a combined approach to economic, ecological, social and cultural issues to ensure the stability of society. The growth discussion is a development discussion. To put it more precisely, it is a progress discussion. It concerns the interpretation of progress as progress in and of capitalism. So the title of the report commissioned by the French president is absolutely accurate: "Report by the Commission on the Measurement of Economic Performance and Social Progress". EU strategy is also concerned with "measuring progress in a changing world".<sup>65</sup>

The view of progress as "more consumption" and "more efficient production" always makes the scale and structure of the use of resources take a back seat. Not only that – innovation continues to be automatically equated with progress and growth. Development, progress and growth – through the use of biodiesel, for example – turn out on balance to be selective, which means ecological damage, nutrition problems, expropriations, etc. The same could be said of mobile phones or computers. The identification of progress with "more", "better", "easier", "pleasanter" results in a way of life that is focused on enjoyment (which is not wrong in itself) without the "price" of the enjoyment being internalised. This concerns "price" in terms of integration in capitalist utilisation, i.e. "price" in terms of undermining the sources of social wealth and the human and cultural losses. The reaction to this situation depends on:

- where one sees the causes of these destructive tendencies– in the nature of capitalist reproduction or in a mistaken policy of incentives; and
- whether or not one considers the basic structures of capitalist society to be natural and immutable.

### **The new growth discourse stays within conventional limits**

The widely accepted view of growth as the growth of GDP does not include the context as roughly outlined here. In the present discourse growth appears as the extension of the production of goods and services in cash terms. The link between non-reproducible resources and growing consumption is barely discernible if at all. What is not discernible is that behind the increase in consumption there is an acceleration of material cycles that is changing the living and existential conditions of human beings and the whole human race in ways that are not subject to any economic or monetary measurement. What remains largely invisible is social quality.

As a monetary expression and only as a monetary expression, growth is a criterion of economic activity. In today's society cash, goods and services are elements of the capital cycle. In its qualitative dimension (expressed in terms of money/credit) the concept refers to the expansion of the capital ratio, not just the expansion of capitalist enterprises. However, growth needs to be seen as a social relationship. To put it more precisely, growth is a historically specific implementation of

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<sup>63</sup> Pearce, David W./Turner, R. Kerry: *Economics of Natural Resources and the Environment*, New York, 1990

<sup>64</sup> *Handbook on Estimation of External Costs in the Transport Sector*. Produced within the study *Internalisation Measures and Policies for All external Cost of Transport (IMPACT)*

[http://ec.europa.eu/transport/sustainable/doc/2008\\_costs\\_handbook.pdf](http://ec.europa.eu/transport/sustainable/doc/2008_costs_handbook.pdf)

<sup>65</sup> Com(2009)433

the capital ratio – growth policy ultimately creates the framework for the reproduction of capitalist property relations in keeping with concrete historical conditions.

Thus growth is only one component of development, and “growth as growth of GDP” is also only a certain historical emanation of a criterion of development and progress. Making GDP the criterion of economic policy decisions is to determine the thrust of concrete political decision-making processes in advance, whether in relation to monetary and financial policy, budgetary policy, technology policy, environmental policy or welfare policy. If one examines the arguments concerning concrete measures in these fields, one finds that it is never a matter of growth as such, but always of the conditions affecting the development of enterprises, i.e. the conditions governing the utilisation and reproduction of capital. Growth is the code which legitimises the social shaping of these reproduction and utilisation conditions and facilitates the construction of a common interest of the various social strata.

The dominance of GDP and its having become the basis of economic policy decisions is an expression of a phase in the development of capitalism in which the capital ratios have undergone a lateral expansion.

The assignment of significance to GDP is of recent date. For a long time currency stability and other indicators were far more important. The importance of growth as an indicator arises at the same moment at which it apparently ceases to be an automatic consequence of normal development. State intervention in a broader sense becomes inevitable, but it also requires yardsticks. Furthermore, an answer must be found to the question of why mass unemployment is becoming permanent, why cuts in social-security benefits are necessary, and why a bottom-up redistribution of wealth is unavoidable. All this coincides with the fact that the limits of the classical type of growth are becoming evident.

The discussion that has been gaining momentum since the late 1970s concerns the vertical development of the capital ratio and a more intensive use of all resources. It also concerns shaping competitive relations in such a way as to give scope to the driving forces of capitalism which guarantee a capital-dominated reproduction of labour power of a higher level of quality while at the same time countering tendencies which threaten the physical existence of the human race.

The report to the Club of Rome (1972) and the Richta Report (1968) confirmed the limitations on the consumption of resources and the limits of an economy based on growing use of resources, whether capitalist or socialist. With the emergence of the Greens as a party in Germany the ecological question became part of the political landscape.

The critique of growth is a reflex of the crisis of the general conditions of reproduction in capitalism. It is a critique of a certain path of capitalist development. Thus it remains an expression of certain changes in interest constellations within the framework of the system itself. In no way can it be confined to the ecological dimension. The fixation on reducing the consumption of this or that natural resource or the reduction of emissions of this or that substance is only part of the problem. Increasingly, the threats arising from the social consequences of the pursuit of traditional growth strategies are being recognised. As with the forcing through of welfare-state regulations as a barrier to the “destruction of labour power as a commodity”, sustainability-oriented regulation means a complex shift in the social balance of power, a shift of future options, a change in the accumulation and power structures.

The significance of GDP as a measure has always been connected with regulation requirements, as it was an expression of a certain mode of reproduction. A change in the regulation requirements means a change in the role of the relevant indicators.

A left debate can and must accompany this in the interests of ensuring the existence of the human race (against other, humanity-destroying concepts which rely on a lateral development), but it must

also focus on the question of how – i.e. answer the question of how to regulate development processes in such a way as to expand the scope for political action.

However, the breakdown of the development question into individual questions of growth obscures our view of the essentials. Not only growth of what, for whom, and how, but first and foremost we must address the social content of the process described by the term. If we do we will find we have other questions to answer. If we try to answer the “yes/no -question” or the question of what would be the “right” growth without first clarifying the basic question, the answer will be meaningless. The components of the discussion on the “reduction of the absolute use of resources”, “efficient use of resources”, or “efficiency of consumption” really do differ in accordance with their socio-political context. The very existence of hunger in the world means that the production of certain foods has to be increased. This necessarily entails growth – and shrinkage – in other fields as well. But which fields? That is the ultimate question. According to whether we start from the use of resources, from the way in which resources are transformed into new products (i.e. in the mode of production and appropriation), from income trends and their structural sources (Jaeger et al. ),<sup>66</sup> or from consumption (Stiglitz),<sup>67</sup> we will end up with different concepts.

Indicators and measuring processes are thus caught up in the following constellation of contradictions:

- Mediating the realisation of property relations;
- Realising the contradictory interests of society, state and business, between the different social groups they represent;
- Giving the dynamic more or less scope;
- Affecting through these mediations people’s way of life in a way that is incalculable;
- Providing political decisions with legitimacy on the ideological and cultural planes (mediating acceptance).

### **What is the meaning of aggregation in monetary expressions?**

Regulation requires aggregate criteria. The expansion of the monetary expression of produced goods and services is the simplest expression of attainment of goals, of the proper utilisation of capital, and the one best suited to the essential nature of the capitalist reproduction process. Utilisation of capital must manifest itself as far as possible in growing profits. To what extent this is linked to the growing consumption of material resources is a secondary question. For a long time this growing consumption was the usual way. In the 1970s, the “old” industrialised countries began the transition to more intensive forms of reproduction in industry, although not necessarily on a social scale. The shifts in the structure of consumption (as consumption of materials, etc., in the production of goods and services, and consumption in the narrower sense) and the replacement of old products by new ones took place by means of a shift in expenditure, in the replacement of materials and in the use of new materials in production.

Raw materials were refined to higher levels without there being any reduction in the use of resources, and a qualitatively higher sustainability of development was achieved. All this was accompanied by low growth in the “old” industrialised countries! Despite this low statistical growth of the aggregate indicator GDP we are confronted with overcapacity (as was clearly shown in the latest crisis), with growing private wealth (in terms of cash and capital), and the participation of wide sections of the population in consuming the products of scientific progress (mobile phones, computers, cars, etc.). Thus the traditional growth policy is ultimately and essentially a redistribution policy, and at the same time a form of capitalist nationalisation. The destruction of the social links in society is compensated to some extent by a quantitative and qualitative growth in

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<sup>66</sup> Jaeger, Carlo C./ Horn, Gustav / Lux, Thomas: *Wege aus der Wachstumskrise. Studie im Auftrag des Bundesministeriums für Umwelt [Paths Out of the Growth Crisis. Study Commissioned by the Federal Ministry for the Environment]*, Potsdam, 2009

<sup>67</sup> Stiglitz, J. E. S., A. / Fitoussi, J.-P. [2009]. *Report by the Commission on the Measurement of Economic Performance and Social Progress*, pp. 12-13

consumption. In almost all regions of the world the radio, followed by television and now the mobile phone, are available as means for the preservation of society. The atomisation of the market subjects is to be relativised by consumption. The destructive use of resources finds its legitimacy in an apparently God-given social necessity.

Given this situation, the policy of specifically capitalist nationalisation needs a new concept, a new name, and a new legitimacy. There is no escaping this logic for any of the development criteria currently under discussion.

Legitimacy claims have to satisfy more than one side. The preservation of the natural and social foundations of a given society necessitates a search for a new yardstick if politically well-founded and realistic decisions are to be taken. Because growth is a social relationship, economic, cultural and social developments in capitalism become entwined both with one another and with the reproduction of capitalist property and power structures. In the past, a policy geared to a growth criterion in the way described above gave scope to competition as the decisive motor of capitalist development. What new policy approach will be able to perform this mediation role in future?

Here we are dealing with two quite different questions: that of the material use of resources and that of the measuring of development or growth in monetary expressions. In a commodity economy it will not be possible to dispense with the monetary criterion. But what is money today? Today it is credit money. Thus the combination of money and capital in finance capital always modifies the measuring and evaluation of development and growth.

In this sense there are methodological and substantive difficulties in assuming a contradiction between the growth of the "real economy" and that of the "financial economy". In their development both sectors of the capitalist economy are linked not technically, but organically. This is explained by the fact that the mediation between the actors and between the various phases of the reproduction process takes the form of credit relationships. An intervention in one of the two sectors always has effects on the other. If one sees finance capital as a social relationship, capital today *is* finance capital. Regulation in the banking and investment sector to limit the growth of profits are part of the normal competition between the various capital factions. The price for this competition of course has to be paid when enforcing a strategy based on sustainability. And apart from political pressure it is the only way of winning the acceptance of the capital faction for the change of premise. GDP was a suitable indicator from this point of view, as traditionally an increase in the use of resources seemed to find its counterpart in more income.

Summing up, we come to the following result. The GDP indicator and the criterion of its growth must be seen from the point of view of their function for the reproduction of the capitalist relations of production and the political order. The use of the GDP and growth indicators represents special ways of:

- Reproducing the conditions of production (labour power, infrastructure, etc.);
- Shaping the processes of redistribution;
- Shaping the competitive relations between different companies and capital factions;
- Ensuring political stability;
- Shaping a certain way of life.

The GDP and growth shown by GDP indicators are thus themselves the guarantors of social relations. New indicators which may better meet the requirements of social reproduction will also be guarantors.

### **The political process of measuring**

The measuring of growth is a social and political act, not a technical one. It is doubtful if a new indicator will break with the logic of deepening the capital ratio. It will merely re-interpret it and try to justify defensive restrictions vis-à-vis certain interests. The long discussions on the nature of GDP and other indicators reflect conflicts of interest. Changes in the collection of data and in the

allocation of individual data to aspects of the national economy (growth, etc.) are regular subjects of debate between the USA and the EU, for example.<sup>68</sup> Consequently, the statistical methods used exert a considerable influence on statements about “growing” and “shrinking”. According to the statisticians, it is new developments in the mode of production and the way that companies cooperate with one another which make new demands on the very act of measuring.<sup>69</sup>

Basically it is not a matter of the indicator, but of the question of how economic policy decisions are taken and legitimised.

This is also made clear by the five components of the EU strategy to change the present criteria for political decisions entitled “GDP and beyond”.<sup>70</sup> These components comprise:

- Complementing GDP with environmental and social indicators;
- Near real-time information for decision-making;
- More accurate reporting on distribution and inequalities;
- Developing a European Sustainable Development Scoreboard;
- Extending National Accounts to environmental and social issues.

These projects actually reflect the growing complexity of the conditions of reproduction. They also show, however, that the focus is increasingly on the process of measuring and evaluation.

A new indicator, therefore, does not absolve left movements from the necessity of developing their own analytical instruments of economic, social, ecological or other processes. As the EU’s statements show, its discussions are only marginally concerned with the indicator, having more to do with the process of measuring.

Measuring is not a scientific, but a social process, just as statistics is a subdivision not of the natural but of the social sciences. Indicators, like money and commodities, are a reflection of social relations. This has to be our methodological starting point if we wish to approach the growth question in the present discussion on the character, registration and assessment of development processes that manifest themselves as use of resources or growth.

In this sense Stiglitz et al. pose the right question: what processes are needed to ensure the survival of society or, more precisely, capitalist society? He downplays the power dimension of measuring and evaluation, however, and replaces it with abstract well-being itself. This is a clear borrowing from the dogmas of the subjective school of economics (i.e. Carl Menger and above all William Jevons, followed by Ludwig von Mises and Walter Eucken), which takes the individual appraisal as a point of reference. In fact, however, even if one looks at the use of the indicators, it is not a matter of the organisation of individual consumption, but of the nature of the division of labour and the redistribution processes. Decisions based on certain indicators set in motion far-reaching redistribution processes, especially via the credit system and state budget.

The second problem lies in the mediation between growth targets formulated in economic terms and the behaviour of the economic subjects, since the aims of economic policy are not *their* aims. Economic policy decisions are primarily intended to help organise the utilisation of capital. Thus with regard to the development question we have a triangle of different interests: that of the state in

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<sup>68</sup> See Häring, Norbert: *Der Statistik-Schmu der Amerikaner [The Statistics Nonsense of the Americans]* / <http://www.wiwo.de/politik-weltwirtschaft/der-statistik-schmu-der-amerikaner-432340/> (05.06.2010)

<sup>69</sup> “It is not the fault of statistical agencies that the pace of technical progress has greatly increased in recent years, leading to a proliferation of new products and leading to difficulties with traditional matched model methods for constructing price indexes. On the other hand, it seems necessary that statistical agencies and international organizations concerned with economic measurement provide governments and the public with a well thought-out plan for improving economic measurement in coming years.” (Erwin Diewert: Paper presented at the Asian Productivity Organization-Keio University Lecture Program, October 22, 2007, p. 23 / [http://www.apo-tokyo.org/jpn/news/archive\\_eve/images/eve14-1.pdf](http://www.apo-tokyo.org/jpn/news/archive_eve/images/eve14-1.pdf) (05.06.2010))

<sup>70</sup> Com(2009)0433final COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN PARLIAMENT, *GDP and beyond. Measuring progress in a changing world*, p. 4f.

tax revenues and political stability; that of businesses in maximising their earnings; and that of shareholders in making maximum use of their capital.

For an assessment of the social consequences of an employment policy aimed at reducing growth, as they are represented in GDP and corporate earnings, an approach that remains within the framework of the qualitative premises set by the indicators themselves is doomed to failure. It is probably correct to say that, if all other conditions remain constant, a reduction of growth by means of production restrictions would lead to negative consequences in terms of employment and social policy. To remedy this we would have to combine short-term measures with longer-term political action affecting society as a whole.

In describing the methodological side of the problem confronting us here Joachim Spangenberg is quite correct in pointing out that “in order to sketch out the functioning of a market economy beyond growth, the usual economic approach of changing one parameter and assuming *ceteris paribus* [“all else being equal”] is not adequate”.<sup>71</sup>

Both the rejection of a “degrowth” strategy for reasons connected with employment and social policy and the attempt to implement such a strategy by mere quantitative reductions are two extremes that would lead to a dead end. The coincidence of falling growth and rising unemployment is not of a causal nature, but has a common root in the dynamics of the utilisation process.

There is another problem, however. If the growth-oriented policy was also characterised by the achievement of welfare-state standards and closely bound up with a clearly identifiable sponsor, namely a working class concentrated in capitalist-owned industry, the situation is different now. As a development policy, growth policy necessarily involved political compromises. If the pressure of the factory system and the threat to physical existence was immediately comprehensible, making it clear whom the social measures were intended for, the threat posed by the climate crisis is less easy to comprehend. The powerful working-class movement is no more. Instead we have a proliferation of movements, many of them at loggerheads with one another. Who then is doing the measuring? And how can the global movements gain in influence here any more than those who do not figure in the world of politics – like the poor and hungry in the southern hemisphere?

Furthermore, beyond the looming apocalypse it seems to certain groups that they could survive a climate collapse by taking decisive action on their own. Having a monopoly of the technical conditions for sustainable development is a major danger in that it fosters the illusion of inevitable survival. The basic danger is not so much a result of the economic restrictions involved in a forced change in accumulation, production, or way of life, but of the political power structures in which the changes have to take place. Mass acceptance of a change in the way of life and the necessary changes in the mode of production by a diversified, fragmented social movement are the crucial practical challenges.

The key questions of an alternative discourse on the measuring of social development must therefore be: a) what processes are to be measured; b) whose interests are at stake; c) what are the appropriate measurements; d) what are the appropriate measuring procedures; and e) what are the subjects of measurement and evaluation? Measures and measuring are predominantly political in nature no matter what is measured. Each social group will define measurements and measuring in keeping with their interests and the requirements of their social reproduction. At the same time it will attempt to represent these interests as being of a universal human nature.

Yet the indicator and the process of evaluation are of equal standing. The standardisation necessitated by aggregation must be broken by a monitoring and deliberately pared-down decision-making structure – the stressing of the particular, which takes place in monitoring

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<sup>71</sup> Spangenberg, J. H.: *The growth discourse, growth policy and sustainable development: two thought experiments*. Journal of Cleaner Production (18 (2010)): p. 563.

processes in relation to trends of a general nature (well-being), must be examined to see if it lends itself to generalisation.

### **Who is to do the measuring?**

The challenge is not to achieve a different kind of growth, but another type of development accompanied by the formulation of a new understanding of progress. This is less and less in dispute nowadays. One might describe it as a combination of economic, social and ecological indicators with ways of socially monitoring this development (a system of reporting on welfare, poverty, the environment, health, and participatory budgetary policy), and hence a change in the way decisions are taken on the WHAT, HOW MUCH, HOW and WHERE of the production of social wealth in its various forms. This is one aspect.

The other aspect, however, would be a change in the economic subjects. Just putting the existing enterprises into a new framework will not work. What is needed is a new economic democracy in companies that is commensurate with the character of the company. Assessing the results of technology, changing the course of innovation processes, and publicly controlled research policy are indispensable prerequisites for the creation of any decision-making basis of whatever kind. The same goes for a new mode of organisation for social movements.

The reaction to these challenges can only be the development of new directions in our alliance and solidarity policy as well as of new forms of deliberative direct democracy. Making decision-making processes public and strengthening the public sector (public property, public education and publicly controlled research) are important elements in achieving a sustainable development in opposition to the growth dogma (with its claim to domination) of capitalist economics.

The ambitious agenda is as follows:

- Democratisation of decision-making processes by public monitoring / reporting, assessment of consequences, and deliberative forms of direct democracy;
- A reform of public administrative bodies that enables them to pursue other aims;
- Economic democracy;
- Formulation of object programmes on this basis (steering on the basis of objectives);
- Selection of a combination of indicators based on this;
- Evaluation of results by means of a public process;
- Strengthening of the public sector as norm-setting for the economy.

The change of yardsticks and the introduction of generally accessible procedures for finding these yardsticks does not automatically mean acceptance of the changes in the way of life resulting from the reform. It is just a question of creating possibilities of behaving differently. These will only become reality in a new culture.

### **Summary**

There can in fact be no such thing as a "discussion of growth". A debate geared to growth as such would lose sight of the social aspect of development altogether. There will always be an interaction between development processes in which more is expended or more resources are consumed and those which consume fewer resources. The discussion must proceed on the basis of social and ecological targets. These targets and the ways of attaining them must be defined and pursued in the course of a public process. Only in this context does a discussion of growth make sense. Growth cannot be an end in itself.