

Marieke's eye on the economy

The world has been breaking temperature records in recent weeks. Will you find yourself caught in a heatwave this summer? Are you considering a flight to sunnier destinations? Here's my economic perspective on why elements of degrowth and green growth may be necessary to address our environmental crisis



Degrowth vs green growth

Let's start with degrowth. What is it, exactly? Degrowth is sometimes defined as an economic theory that advocates for reducing the size of economies to address environmental and social concerns.

Jason Hickel, the leading author on degrowth, has refined this definition, however, saying that the aim is for a 'planned reduction of energy and resources throughput'. So actually, he is not aiming to lower GDP - in fact he would prefer to see sectors like healthcare, social housing and education grow. Instead, he wants to reduce harmful economic activities - think meat, combustion engines, and flying to another continent. However, Hickel finds no evidence to support the idea that it is possible to achieve economic growth while simultaneously reducing the consumption of natural resources. So effectively he expects less harmful economic activities to lead to lower GDP, but that is not the main goal.

Green growth is different in that it strives for technological solutions that allow the economy to grow further, so we can still enjoy a summer break far from home, eat meat or artificial alternatives, and drive a nice car. Proponents of green growth assert that technological solutions will be sufficient to allow people to continuously improve their lives.

Degrowth advocates like Hickel recognise the potential negative impacts on individuals. Lower GDP with a growing population might result in fewer hours worked. However, they believe that citizens, especially those on lower incomes, should still be able to manage with the help of a living wage, job guarantees, and progressive taxation.

Flaws in both plans

Both approaches have drawbacks. Regarding the degrowth plan, it will be very hard to set up a functioning welfare system to compensate for the adverse effects. And it will be challenging to garner political support, as many people will likely fear that degrowth will negatively impact them.

However, the 'technofix green growth promise' is also too simplistic. Let's take the example of electric vehicles. While the emissions per mile will be much lower, the cost per mile in 10 years' time may be so low that people will drive more than they currently do. This will have an impact on battery materials, for example, damaging biodiversity, to name one impact. Sustainable airline fuel seems like a technofix, but it would demand an excessive amount of resources to enable everyone on the planet to vacation on another continent.

Balance is needed - but so too is government intervention

Thus a sustainable economy requires constant 'channelling' of consumer behaviour so that we consume only to the extent that we are able to 'clean up after ourselves' with clever technologies (repair, green plastics). We need to reduce our consumption of harmful products and services. Individual willpower alone won't be enough. We like meat and tropical islands too much. Therefore, government intervention is necessary: implementing taxes, curbing emissions, setting standards, and providing infrastructure, among other measures.

The goals of degrowth and green growth are similar; the key difference lies in whether to focus more on reducing the consumption of harmful goods and services or on developing new technologies. Both approaches are necessary. Slower, and possibly negative, GDP growth may result. The outcome depends on the effectiveness and speed of technological advancements. However, we do know that better government intervention can incentivise technological innovation.

At ING Research we will continue to analyse technologies and policy interventions (read about them in the linked articles). But I leave you with the crucial question: how can we help to gain political support for government intervention? Let's think about that over summer and leave me your comments with suggestions!

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