Green Growth and Degrowth
To Grow or not to Grow

Economic policy approaches for the climate-critical decade

Part I of the Policy Forum brings together leading experts from the fields of Green Growth, Postgrowth, and Degrowth to debate their different visions for the pathway toward sustainable economies. We will give room to separately explore the ideas and arguments of Green Growth and Postgrowth/Degrowth and bring the different approaches together to discuss commonalities, differences, and synergies.

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10 May 2021 | Green Growth: Technological Innovation, Market Incentives and Investments for a Green Economy

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Prof. Ottmar Edenhofer: Inclusive Wealth. A new economic paradigm

In his talk, Professor Edenhofer first pointed out why we need to discuss economic growth. Most importantly, while economic growth has been successful in reducing global poverty, it has also led to significant environmental damage. He then presented and contrasted two economic approaches for the analysis of this problem. First, in neoclassical environmental economic models such as the DICE model, nature is external to the economy. A key implication is that the decoupling of economic growth and emissions is possible and hence growth can continue indefinitely. In contrast, the inclusive wealth paradigm put forward in the recent Dasgupta Review models the economy as embedded in the biosphere. Importantly, this entails the assumption that a complete decoupling of growth and emissions is not possible. As a result, there is an absolute limit to economic growth due to planetary boundaries. Thus, instead of focusing only on GDP growth and physical capital, politicians and economists should take a broader perspective and adequately take into account the stocks of human capital and natural capital in the economy. By focusing on such an inclusive wealth indicator, politicians may achieve growth in inclusive wealth while avoiding unsustainable growth in GDP. The crucial prerequisite for this is that the accounting prices for natural and human capital reflect the scarcity of these assets.

Prof. Cameron Hepburn: More mind, less matter

Professor Hepburn started his presentation by emphasizing that in debates about growth and degrowth, economists actually agree on an “awful lot”. They agree that the economic model has to change, demands on the biosphere need to fall and growth in material flows has to stop. In addition, there is now a growing consensus that GDP growth is not a good measure of welfare in developed countries. Thus, there clearly need to be bounds on the material side of economic growth. However, the question is whether growth through ideas (moremind) could still be possible even when the material loops are closed (lessmatter). Furthermore, Prof. Hepburn argued that it is important to think about a growth model that still allows for the improvement of welfare because “zero growth” implies a recession that may cause harm to many people.

Three insights from the discussion with the audience

- Carbon pricing is not used frequently enough due to political economy problems such as lobbying. In addition, politicians are often worried about distributional consequences. Hence, economists need to emphasize more the potential distributional benefits of carbon pricing.
- GDP was never meant to be a welfare measure, but it has been used as such for too long. Economists need to design an alternative welfare measure that does not measure long-term benefits as a cost (for example, investment in health care).
- Alternative welfare indicators like inclusive wealth are difficult to compute because measures of human and natural capital are still imperfect. However, measuring GDP is tricky as well! Thus, countries should take a first shot at computing inclusive wealth and develop better indicators for human and natural capital.

15 June 2021 | Postgrowth and Degrowth: The (Im)possibility of Green Growth and its Alternatives

Link: https://www.decarb.world/events/postgrowth-and-degrowth accessed 15/04/2024

Prof. Susan Paulson: Decarbonization as a chance to decolonize, deracialize, and degrow

Professor Paulson highlighted the "diametrical" differences between Green Growth and Degrowth in her vision for change. Green Growth addresses ecological problems with technological solutions. Central to this growthist worldview is a division between "humans" and "other nature". This operates together with other mental hierarchical binaries (e.g., men vs. women, white vs. non-white, owner vs. worker) that constitute power and identities in contemporary societies. Economic growth is a historically new phenomenon which is intertwined with European colonialism, biological racism, and sexism. Degrowth seeks to decolonize the economy from these historical sociocultural structures. Instead, it calls for reorienting the economy toward a global steady-state, away from capitalism, as has been the case for most of history. Because it challenges the binary paradigms and power structures, questioning growth experiences much resistance from people privileged by them.

Prof. Tim Jackson: Prosperity as health

Professor Jackson argued that "prosperity is as much to do with health as it is to do with wealth". As the pandemic has shown, population health is what matters most and should be the central goal for society and economy. This view departs from the capitalist priority on "expansion and trickle-down". A focus on health would shift the guiding principle of the economy away from more and more growth, towards balance (one can have too little food, but also consume too much). If health is the goal, the economy must be a care economy, which is incompatible and thus undermined by the incentive structure of today's capitalist economy. A care economy is also the greenest one, as it employs and benefits many people with a small ecological footprint.

Dr. Katherine Trebeck: Repurposing the economy to wellbeing

Dr. Trebeck argued that economic growth should no longer be seen as a goal of society in its own right (as in the triple bottom line framework, for example). Instead, she called for repurposing the economy to serve the wellbeing of society. In her idea of a wellbeing economy, growth has done its job globally, as we collectively have enough resources and it is to occur only when needed for higher-order goals. To get there, we don't need alternative measurements to GDP so much; we have enough data and alternative frameworks to measure wellbeing at national levels. What is needed now is a corresponding reorientation of policy regimes to redesign the economic system. Finally, the new measures of progress must be decided not academically or by the government, but bottom-up by citizens.

Three insights from the discussion with the audience

- Getting people to degrow and consume less requires offering more fulfilling alternatives to consumerism with "less stuff and more joy" (Jackson) and "alternative hedonism" (Paulson).
- The different streams (degrowth, post-growth, wellbeing economy) have much more in common than they differ on. All argue that the beliefs and dynamics inherent to our capitalist economic system prohibit a good life for all and seek to deconstruct them.
- There is no silver bullet policy for achieving a degrowth/postgrowth/wellbeing economy. However, there are many measures that can help to move closer to it, such as long-term government budgeting, abolishing GDP, reducing working hours, and community ownership of the commons.

29 June 2021 | Green Growth and Post-Growth: Common Grounds for Advancing the Green Economy Transformation?

Link: https://www.decarb.world/events/green-growth-and-postgrowth accessed 15/04/2024

Prof. Daniel Fiorino: The Green Economy: Prospect or Pipe Dream?
In his talk, Professor Fiorino draws from his most recent book "A Good Life on a Finite Earth: The Political Economy of Green Growth". He claims that staying within planetary limits is crucial even in a growth-focused economy. He argues that there are four main strategies for a transition towards a low-carbon economy. Beyond the approaches of limiting brown growth (or degrowth), maximizing technology with maximum growth, and reconciling growth and ecology, he proposes a fourth strand: Green economy or green growth which turns the perceived zero-sum between economy and ecology into a positive-sum. This is based on the premise that there are synergies among economic, ecological, and social imperatives: Economic growth makes money available for investment into green sectors. At the same time, sustainability and social equity do not undermine the potential for economic growth but create opportunities. For instance, energy efficiency and clean energy investments provide a classical win-win opportunity increasing employment and equity while decreasing costs and climate impacts. Finally, he notes that national policy interventions that incentivize sustainable economic activities and clean energy (for instance pricing resources and externalities, eliminating and reforming subsidies, green investments) are crucial for implementing a green economy.

Beth Stratford: Moving beyond the Green Growth vs. De-Growth debate
In her talk, Beth Stratford suggests that it is time to move on from the green growth vs. de-growth debate. She presents an outline of a strategy consisting of three planks that could potentially provide common grounds for advancing the green economy transformation. First, a Green New Deal including massive investments in public transport, renewable energy, insulation, etc. Second, putting a limit on resource use and waste (not GDP!). Third, ending our growth dependence for which she offers four key strategies drawing from her recently published report "The UK's Path to a Doughnut-Shaped Recovery": First, empowering and protecting workers, that is balancing automation and preserving jobs by raising wages and reducing working time. Second, tackling rent extraction, that is reducing the power of land owners to extract unearned incomes. Third, reducing exposure to debt crises, for instance through shifting from debt to equity finance. Finally, safeguarding basic needs by extending the concept of universal basic services to other socio-economic services such as transport, childcare, or energy.

Three insights from the discussion with the audience

- A green economy transformation in the global North could substantially penalize the global South which provides resources and labor but has been the least contributor to carbon emissions. Addressing injustices in the trading system as well as sharing resources and technology is imperative.
- Both agree that fossil fuels pose a social cost and represent a huge barrier to a clean energy transition. Therefore, eliminating fossil fuel subsidies is one of the most important steps in moving toward a green economy. Instead, the population should be educated on the purpose of (progressive) carbon pricing and the value of the ecosystem as natural capital.
- Both green growth and de-growth advocates have the same vision of an economy that is socially just and operates within our ecological limits. For that, advocates from both sides need to join forces to implement a technological change, overcome vested interests from the fossil fuel industry and end our growth dependency.

16 September 2021 | Making Money and Saving the Planet. What is needed to bring it together?

Link: https://www.decarb.world/events/making-money-and-save-the-planet accessed 15/04/2024

Prof. Giovanna Michelon: The real effects of non-financial CSR reporting – for whom and how to develop standards?

In her talk, Professor Michelon raised the question of which groups corporate social responsibility (CSR) reporting standards are targeted to, arguing that this determines its real effects. Currently, the European reporting framework (NFRD, CSRD) is mainly oriented towards investor's information needs which in turn relate to market prices and capital allocation. She moreover emphasized the difference between the scope and purpose of a reporting scheme. While the new CSRD ensures more companies have to file a CSR report in the near future, it still does not change the purpose of fitting investor needs. That's an important start, but it will not be sufficient to achieve sustainable businesses. Professor Michelon concluded that the purpose of reporting has to extend beyond a relation to market prices and capital allocation as this focus on the price mechanism disregards negative external effects on the climate.

Christian Felber: The Economy for the Common Good creates the right incentives for business

In his talk, Christiane Felber presented an alternative approach that improves on the current mandatory reporting scheme. The Economy for the Common Good approach requires businesses to create a Common Good Balance Sheet which intertwines economy, ecology, and society. This quantifies the operations of a business in relation to ecological and social environment while the process at the same time supports corporate development together with stakeholders and shareholders. As such, it is fundamentally different from the top-down mandatory European Union standards geared primarily toward the needs of investors. Christian Felber suggested two ways of leveraging the Common Good approach towards wider socioecological transformation. First, to re-organize corporate taxation along a quantifiable balance of ecological and social behavior of the company. Secondly, by using the Common Good Balance Sheet in public procurement decisions, for example for new buildings or simply for the cleaning of a city hall or a school. Many companies already use the Common Good Balance Sheet by own choice.

Alma Spribille: "WEtell GmbH" uses the Common Good Balance Sheet

In her talk, Alma Spribille shared the experiences of "WEtell GmbH" in conducting the Common Good Balance Sheet and using 100% renewable energy in a competitive market. She emphasized the benefit of creating the Common Good Balance Sheet as a great opportunity of reflection and developing the team and the business together. An immense motivation for the employees is to show how a sustainable company can emerge in a competitive market like theirs with providing telecommunications and internet services.

Three insights from the event

- The recent regulatory development at the European level with the new CSRD framework for non-financial reporting is not sufficient. Too few companies apply it and its real effects on sustainability are minor. Furthermore, its perspective should be expanded beyond that of the investors.
- Approaches like the Economy for the Common Good already develop non-financial reporting further into a quantifiable measure that can be used to set the right incentives for businesses.
- The example of WEtell GmbH shows that companies do not need to wait for regulators and policy to catch up. Even in a competitive sector, they can already start to decarbonize into a purposeful Future Economy.

13 October 2021 | How future-proof is the European Green Deal really?

Link: https://www.decarb.world/events/the-european-green-deal-really accessed 15/04/2024

Antoine Colombani: providing a summary of the Green Deal

Antoine Colombani gave an introductory summary to the purpose and goals of the European (EU) Green Deal. He highlighted that it is a whole-of-government approach to achieve several goals, including climate neutrality by 2050, biodiversity and decoupling growth from resource use. All this shall be achieved while keeping a very close eye on social justice during the transition. The EU Green Deal has various measures to achieve its goals. These include, but are not limited to, the following: tightened carbon pricing, extending emissions trading to the aviation and maritime transport sectors, and to buildings, tackling the energy sector with increasing the share of renewable energy to 40% by 2030, and provisions of infrastructure for electric cars. Concluding, Mr. Colombani stated that it is a significant and challenging transition for society at large and emphasized that those citizens most affected by the change and transition shall remain at the heart of all policies.

Ulrike Herrmann: highlighting the financial short-sightedness of the Green Deal

Ulrike Herrmann started by pointing out that several of its aspects of the EU Green Deal are comprehensive and ambitious. She highlighted the European Commission's Covid economic response fund as progressive, as 1/3 of the budget is intended to deal with climate protection. However, she then discussed three points of critique on the Green Deal. First, the money pledged is neither enough for climate protection nor enough to handle the aftereffects of the Corona-crisis. Second, the debts that have been taken up need to be paid back and it remains questionable where this money shall come from. Third, the whole idea of the EU Green Deal is based on the idea that green growth, as decoupling of resources from growth, is even possible. She thinks that this is illusionary.

Prof. Claudia Kemfert: energy needs to be emission free and used efficiently

Prof. Claudia Kemfert also highlighted that the EU Green Deal goes into the right direction, being a good framework to reduce emissions. However, she mentioned several points that are important to a sustainable future which the Green Deal does not deal with sufficiently. First, there are shortcomings on how the measures will be implemented, monitored and how they will be adjusted if they show to be insufficient. Second, 100% of energy needs to come from renewables and be used efficiently, including in cars, railroads, or heating. Third, Prof. Kemfert stated that European countries must focus on emission free technology. Therefore, it a clear taxonomy is required to determine what is truly emission free.

Three insights from the discussion with the audience

- Everyone supports renewable energy sources. However, controversy persists on how renewables will be able to provide all the energy needed, at all times of the day, how it shall be mixed with fossil, nuclear or coal, and how energy can be stored.
- The current situation of high energy prices highlights that energy shortages can deeply affect households. In the short run, this needs to be solved by policies; but in the long run the transition away from fossil fuels may provide the solution.
- Choosing between taxes and energy pricing as policy tools remains a difficult trade-off as all those options have pros and cons. Different proposals include a regulated fossil fuel price via a duty and a minimum price for CO_2 to prevent non-investments by companies.

13 October 2021 | The Future of Growth: Creative Destruction or A Slowdown of Success?

Link: https://www.decarb.world/events/growth-creative-destruction accessed 15/04/2024

Prof. Dietrich Vollrath: Neither negative nor positive GDP growth is a sign for environmentally friendly developments

Prof. Vollrath outlined why the development of GDP isn't a perfect indicator for whether investments and innovation are environmentally friendly or not. He started off by explaining why the recent years in the Western economies are characterized by economic slowdown. Vollrath argues that two major reasons are pushing this development, first population aging, and second structural changes in the economy. High productivity levels have been achieved in the production of goods, which cheapened those products and freed up consumer's financial resources for service goods. This shifted the economy away from a production focus to a service-oriented industry. Based upon relatively low GDP growth rates, he is questioning whether it is necessary to push those growth rates again. Vollrath is pointing out that there is a difference between the development of well-being and GDP; however, he is acknowledging the outstanding role of GDP as an accounting tool. GDP must not coincide with innovation, but growth can be characterized as innovation. GDP growth is independent of whether the underlining investments are environmentally friendly or not. Vollrath makes clear that investments and innovations need incentives, and GDP growth is one of those incentives. Even though GDP growth and the environmental impact of the underlining investments can be decoupled, GDP growth is an important tool for giving incentives to innovators. What he calls creative destruction needs guidance to push innovators and investments to green projects.

Prof. Philippe Aghion: Investors are path dependent

Prof. Aghion is highlighting the role of guidance and thereby introducing the triangle of firms, state and the civil society. The state and civil society are required to shape the investment behavior of firms, as firms tend to have a path dependence when it comes to the type of investments they conduct. Elements he highlights in this context are a carbon tax and industrial policy elements, such as the implementation of a respective European organizations to guide innovation. How competitive a market is, is also important for how strong a shift in consumer preferences affects the behavior of firms. According to Prof. Aghion clean innovation is driven by public investments, structural changes, competition & education policy as well as intermediate sources of clean energy especially nuclear energy. Aghion sees a key role in nuclear energy when it comes to decoupling, where he assesses France a forefront role. Moreover, he sees a connection between the service orientation of an economy and the amount of emissions. Such that emissions decrease the higher the share of services is. Therein he sees a chance for emerging economies and a duty for developed economies. In so far as emerging economies can skip the process of industrialization and directly jump into the age of services, while developed economies have the responsibility to help emerging economies to pursue that way.

Three insights from the discussion with the audience

- The Maastricht treaty may hinder the necessary public investments which are needed to fight the climate crisis. This is the case as the rules written down in the Maastricht treaty are not flexible enough.
- Inequality is weakening the position of the civil society. Civil society may shape investments and innovations by altering consumer preferences. This is, however, just possible if the civil society is economically able to change their consumer preferences.
- There is however disagreement on the role of nuclear energy. While Aghion sees nuclear energy as a carbon free form to produce energy the discussion reveals that especially the production of nuclear fuel may cause huge amount of hazardous waste. This mirrors also current policy discussions in the European Union, as whether to label nuclear energy as sustainable or not.