

Economic growth. Is that it?



Why are we all here? It is a difficult question to answer, having troubled philosophers and thinkers for centuries. Thankfully, modern-day economists have found the answer. Better still, we have all accepted their conclusion. The purpose of life is to consume.

The reason we exist is to buy washing machines, handbags and flat-pack furniture. And the more we buy, the better. The more we buy, the more we can produce. The more we produce, the more jobs there will be. With more jobs comes more spending. Then comes more economic growth. This is the path of progress, we are told.

Yet all this runs counter to the laws of proper, classical, economics. Moreover, it has created a world which is becoming socially and economically unstable. The problems created by our obsession with growth are coming to a head.

Modern economics encourages us to focus on the short-term. It encourages businesses to think that they must maximise profits regardless of the long term consequences. So they outsource production to cut costs, use resources on the cheap and pollute the world without much care.

Yet the rewards of our modern economic system look more like penalties: a mountain of debt, the rise of undependable low-grade employment and widespread obesity. In the developing world, although millions were lifted out of absolute poverty for a while, the financial crisis pushed them right back where they started. Almost everywhere, the gap between rich and poor is wider than it was in the 1920s. As governments cut taxes to attract investment, citizens in much of the world have been abandoned, left with the airy hope that the free-market will somehow come to their rescue. But it hasn't.

The ideology of the cancer cell

Without change, we are heading for trouble. We face a financial catastrophe because of the flood of borrowing. We face resource constraints within a few years, especially of oil and water, due to their over-exploitation and our over-population. And we face declining life-expectancies due to climate change, food shortages and overloaded healthcare systems.

Eventually, we will face conflict too. Tensions will rise over resources, while those who live in the developed world will revolt against the injustices they are about to experience in ever harsher ways—higher prices for the items essential to their lives, falling asset values and evaporating savings, with once-promised pension and healthcare payments denied.

We need to realise that we cannot simply patch the existing economic system as we have been doing. Something more fundamental is necessary. At the core, we need to rethink our notions of progress.

Classical economics says that companies and societies should think about the long term. It says that consumers should pay the full price for what they buy, not be subsidised by the environment and future generations. It says that markets should be regulated when necessary and that scarce resources should be protected. It says that the gap between rich and poor needs to be managed. Adam Smith, the father of economics, wanted to find a means to improve the well-being of ordinary citizens. Essential elements of this are fairness and justice.

Modern economic thinking has made growth a goal not a consequence. It has promoted waste, excess choice and a throw-away mentality. It has encouraged under-regulation. It has provided a dream to those living in countries like China and India that can never come true. It has made it impossible for many other developing economies to progress. As a consequence, it has overvalued our future—our investments, our companies, and our assets.

All these problems will be resolved, of course. It is how they are resolved that is the question.

We can probably find a way to overcome the financial troubles and the coming resource shortages. We can change our diets and improve crop yields to ease the suffering of the poor. We can find diplomatic answers to the sources of conflict between the world's peoples. But much thought will need to be given to dreams and expectations. Billions of people need to lower their hopes for the future—and substantially. Many developing countries need to accept that they have been condemned by the current system, that they will never become industrialised nations as they once hoped.

It is comforting to think that the transition we face will be mostly painless, that most of us will muddle through, and that everything will be all right—that the challenges we face will not change our lives very much.

But they will. Even if we avoid conflict and famine, billions of us will have to modify what we do, cut the resources we use, and change what we value. We will have to change our lives, whether we want to or not.

You and me

Moreover, to address these challenges will need cooperation, consensus and leadership. It will need your participation too, and mine.

We all have a responsibility for where humanity stands and for where it is going. It makes no sense for us to complain about injustice, about the world's resources being squandered, or about the debts that await our grandchildren, without responding.

We can start by becoming less accepting. We should be more sceptical about the modern economic model we have followed, with its promises of endless growth fuelled by consumption and debt.

Too many of us believed that growth was good, that it was a valid measure of human

progress. We believed that unregulated free-markets were the most efficient way to allocate the world's resources. We believed that globalisation was advantageous for everyone, despite the unequal way in which we knew the benefits accrued. We believed that big businesses and big banks would behave benevolently, and in our interests, just as long as they were free from government interference.

As well as blaming ourselves for such foolishness, we should blame the economists for their sloppy thinking and the politicians for selling us such twaddle. Our belief in these wrong-headed ideas has allowed economic power and wealth to become concentrated in the hands of a few people and institutions, with the combined wealth of the 793 richest people now equal to that of the three billion poorest.

We also need to ask ourselves what life is about. It is not about economic growth. There are a vast array of other pursuits that can fulfil us—social, cultural, intellectual and spiritual—which do not drain the planet of its resources or promote disharmony. We need to take control of our future, to create just and sustainable societies.

Most of all, we need to develop a model for the future that is not held captive by the free market, by consumption and by growth for its own sake. We need to think differently about inequality, poverty and population. We need to think about how we can restore the bonds of good society. We need not abandon free market economics entirely—but we need to ensure that our economies are managed to meet our needs—all of our needs.

*“The religion of endless growth is a kind of mania, a form of lunacy, indeed a disease. Growth for the sake of growth is the ideology of the cancer cell.”**

It's time we found a cure



The End of Progress has been nominated for the Financial Times and Goldman Sachs Business Book of the Year Award 2011. It is published in Asia on 7 July and will be available in the US and Europe from 21 September.

* Edward Abbey an American author, 1988