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ET Evoke

'Relentlessly pursuing growth can uproot the tree that bears us fruit'

Maitreesh Ghatak is professor of economics at the London School of Economics and Political Science (LSE). Sharing his insights with ET Evoke, the distinguished scholar discusses what's driving degrowth in the West, how 2020's pandemic highlighted deficits in the growth model – and why, even as an economic measure, growth is not enough:

When we calculate national income, as we allow for the depreciation of the capital stock needed to generate it, we should also allow for the devaluation or depletion of natural resources. Unlike buildings, infrastructure and machinery, natural resources cannot be rebuilt or replenished when needed. And their depletion has far-reaching consequences – changes in climate, for instance, are taking a heavy toll on farmers now, pollution is leaving increasing numbers of people sick, and unbridled construction work is leading to natural disasters all around.

What makes this grim picture truly scary is that the price for our greed and downright apathy will have to be paid by the generations to come. The core logic of 'not by growth alone' is therefore compelling. Some manifestations of the questioning of such growth in Western countries include an increasing focus on clean energy and fuel – for example, consumers switching to electric cars. There is also a rise in the demand for organic products and much greater awareness and practice of recycling.

Such a 'degrowth' philosophy expresses worry for a future based on growth alone. But it also has roots in a colonial past. One can argue that currently developed countries have enjoyed a long period of growth and prosperity and they should now take the lead in slowing down. Some were indeed former colonial powers that directly extracted resources from currently developing countries which were their colonies or did so indirectly through unequal terms of trade. In any case, all of them enjoyed the advantage of importing cheaper raw materials and labour-intensive goods and services from poorer countries. In contrast, developing countries, which still have large numbers of people who are very poor, cannot afford to 'degrow'. This is analogous to saying that someone who's overweight should cut down on food consumption, but that clearly is not good advice for someone who is underweight. 10% of the world's population lives in extreme poverty, defined as living on less than $1.90 a day. Almost a quarter of the world's population lives below $3.20, reflecting national poverty lines in lower-middle income countries, and more than 40% of the world's population – nearly 3.3 billion people – live below the $5.50 line, reflecting national poverty lines in upper-middle-income countries. Without growth, it is not possible to bring the poor out of poverty. The question here is not growth versus no-growth, but more the 'how' of growth and the ways by which its gains are distributed to lift people above poverty, as opposed to adding to the wealth of the rich. Importantly though, while developing countries like India and China cannot ignore growth, they also cannot ignore the environment.

The focus on growth alone has been counterproductive. The year 2020 with its pandemic crisis has given us an opportunity to really think through what an economy is. Some of those urging workers to get back to work for the sake of the economy, despite the health risks, seem to think that workers are not a part of the economy or are a replaceable resource. Even leaving these extreme voices aside, we must reflect on a fundamental issue now – what is an 'economy' and what do we want from it? Is the economy a machine that churns out consumer goods and profits in ever-growing amounts – or, is it an interdependent ecosystem where all of us are interconnected through a web of reciprocal and mutual needs? If it is the latter, then isn't the protection and preservation of human and natural resources essential for our own survival? The current crisis demonstrates that the relentless pursuit of growth poses a clear and present danger – that of uprooting the tree that bears us fruit.

'Growth' never was, and never can be, a sufficient measure of human and social well-being. First of all, the terminology refers to growth in total or average income and it tells us nothing about how the poor are doing versus the rich in terms of improvements in their standard of living. For example, if the income of the top 10% doubles while the income of the rest stays the same, national income will still have grown by 10%. Therefore, even if you look at growth, it is important to go beyond average or aggregate income growth and look at the income growth of specific groups.

Secondly, the growth of national income does not factor in important determinants of the quality of life, such as education, health, environment, infrastructure, law and order and rights enjoyed by citizens. These are all very important measures. Just as we conduct a battery of tests on the human body and look at different indicators to get an overall sense of health, the same applies to development indicators as well. Other than growth, a number of development indicators are already widely used. These include the percentage of the population below the poverty line and the Human Development Index (HDI) published by the UNDP that focuses on education, life expectancy and income levels. And, importantly, the United Nations Environment Programme has also proposed a number of green growth indicators, which bear serious thinking about.