ACTION AGENDA
RETHINKING GROWTH and PROSPERITY

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Professor Ann Dale, Yuill Herbert, Rob Newell and Rebecca Foon
Chair in Sustainable Community Development, Royal Roads University and
Sustainability Solutions Group (SSG)

INTRODUCTION

This Action Agenda is derived from research and dialogues with over 100 researchers, practitioners, civil society leaders and policy-makers participating in workshops and panels convened by the Canada Research Chair on Sustainability Community Development, Royal Roads University, March 30, 2012. Participants examined key questions concerning the international 'de-growth' movement in the Canadian context.

- Is it a question of no growth, or is it about changing the quality and quantity or our growth and our present ways of measuring progress?
- If capital is no longer the limiting factor then what, if anything, is?
- What is the future of work, pensions, and investments such as RRSPs in a steady state economy?

For further information on the background briefing material, the list of keynote speakers, the expert panel, the Victoria workshop and the four virtual round tables led in Winnipeg, Montreal, Toronto and Haverford College, see our **website**.

Several key assumptions informed our deliberations. First, absolute dependence on growth no longer works, and the conditions are now in place to allow for a different economic model to emerge. Second, we are facing key ecological limits and natural resource constraints that need to be addressed now. Third, there is a new configuration of geopolitical forces emerging as a result of the rise of China, Brazil and India and the emergence of G20. Growth, even in developed countries is no longer contributing to equitable income distribution and this inequality is producing profound social shifts in Canada and around the world. We are facing rapidly changing technologies, increasingly widening wage gaps and persistent under-, and over-employment. Fourth, trickle-down economics has clearly not worked to reach a majority of the population in both developing and developed countries. Fifth, it is generally recognized, even by economists, that there is far too much debt worldwide, both public and private, and the persistent European Union crisis is proof of that pudding. Finally, using the term 'de-growth' to communicate the objectives of this movement to the public may prove too abstract or negative, and shifting to a new economic model would be more effective by rephrasing to 'rethinking growth and prosperity'.

Within this context, this Action Agenda has been developed to assist Canadian decision-makers to move towards new economic model(s) that measure human well-being while significantly reducing environmental risks and ecological scarcities.

DELIBERATIONS/CONSIDERATIONS

GROWTH

Many have argued, including scholars (Dale, 2001; Daly, 1997; Robinson, 2004; Costanza et al., 1999; Victor & Rosenbluth, 2007) that 'business as usual' is not sufficient, that we need to challenge the underlying assumption that it is possible to continue to grow in a finite biosphere. Sachs, argues that the greatest illusion of market governance is that a "healthy society could be organized around the single-minded pursuit of wealth" (quoted in Brodie, 2012). The World Economic Forum's Global Risks Report warns of a "dystopian future for much of humanity".

The *Limits to Growth* published in 1972 by the Club of Rome (Meadows et al., 1972) sparked intense international debate by challenging the widely held belief that growth is inherently good (Dale, 2001). This dualistic argument—growth versus no-growth—continues today and added to the argument are calls for 'de-growth' as unrestrained economic growth cannot be sustained given the limits of the planet. As a concept, de-growth has gained attention in public policy in Europe, Quebec and to a lesser extent in South America (European Commission, 2010; Jackson, 2009).

All of the world's larger economic systems depend on growth with economic success measured by how quickly a country's consumption of resources, production of goods and services, and resulting money flow is expanding. "Fast growth is better than slow growth; no growth is bad; and "negative growth" (also known as "recession," or shrinkage) is considered seriously catastrophic if it continues for more than a few months" (Institute for Studies in Happiness, Economy and Society).

The UK Sustainable Development Commission (Jackson, 2009) sums up this state of affairs as 'the dilemma of growth', characterized by two core propositions.

- Growth is unsustainable – at least in its current form. Burgeoning resource consumption and rising environmental costs are compounding profound disparities in social well-being.

- 'De-growth' is unstable – at least under present conditions. Declining consumer demand leads to rising unemployment, falling competitiveness and a spiral of recession.

Is a low or no growth world possible? In response to a physically constrained economy, Daly (2008) developed the idea of a steady state economy that seeks qualitative development, but halts aggregate quantitative growth. Daly argues that so-called “economic” growth is in fact uneconomic because the quantitative expansion of the economic subsystem increases social and environmental costs faster than production benefits, at least in high-consumption countries. He defines a steady state economy as a constant flow of throughput at a sustainable (low) level, with population and capital stock free to adjust to whatever size can be maintained by the constant throughput that begins with depletion of low-entropy resources and ends with pollution by high-entropy wastes. Daly’s concept of a steady state economy replaces aggregate quantitative growth with qualitative development, which is an approach to growth identified as plausible and sustainable through the ‘ethereal economy’ (Dale and Newman, 2008).

Daly further argues that capital is no longer the limiting factor, that it is natural resource constraints. For example, what limits barrels of crude oil extracted—drilling rigs and pumps, or remaining accessible deposits of petroleum—or capacity of the atmosphere to absorb the CO_2 from burning petroleum, or the increasing costs of extracting more and more marginal resources (Daly, 2011: 7). Economic logic says to invest in and economize on the limiting factor, now widely recognized as ecological limits (Czech, 2011).

Victor and Rosenbluth’s (2007) macroeconomic model of Canada, LOWGROW, uses real data to model national income, fiscal balance, national debt, employment, greenhouse gas emissions and poverty over a 30-year period to 2035. While the no growth scenario entered a “disastrous, downward spiral”, a low growth model in which gross domestic product (GDP) stabilizes by 2020 results in no Canadians living below the poverty line, successful implementation of the Kyoto Protocol, and an unemployment rate of 5.5%. This model demonstrates that there may be room to stabilize macro-economic output, meet environmental goals, keep unemployment low, and reduce poverty.

In poor countries there is a ‘development imperative’ (Giddens, 2009) due to the suffering caused by extreme poverty. It is argued that economic growth is essential for improving the well-being in poor societies; however, this is no longer clearly the case in wealthy societies. Research indicates that beyond a certain level of material satisfaction in Northern countries, reported ‘well-being’ or happiness does not rise as income rises over time (Frey, 2001). At the macro level, while overall trends in GDP in the United States have steadily increased from the early 1900s, both the Genuine Progress Indicator (GPI) and levels of happiness reported by Americans have not increased since the 1970s (Victor, 2012; Constanza, 2012). In other words, not only is growth not sustainable, it may not even be delivering the gains in well-being that society seeks. The 2011 OECD Report definitely stated “the benefits of economic growth do not trickle down automatically, and that greater inequality does not foster social mobility.

If society believes that access to employment is a basic human right, then we are in trouble, as unemployment among young adults below 25 in the European Union is approaching one in seven (O’Riordan, 2012). And as evidence mounts, in a highly globalized, hyper-connected world, what affects one country will ultimately have cascading effects for others.

Are there alternatives? Of note, former British cabinet minister Chris Huhne recently advised that the UK's economic growth strategy will not work unless the government pursues "green growth" by investing in industries such as energy efficiency and clean energy (The Guardian, May 3, 2012). Huhne states, "[m]uch of our economic debate implies we must choose between going green or going for growth. That view may be the opposite of the truth. There is now hard evidence that the real choice is between green growth or no growth at all."

MEASUREMENTS

The gross domestic product (GDP) is currently the widely accepted indicator used to indicate economic activity, however, GDP per capita is not a measurement of the standard of living, although it is often treated as such, on the rationale that all citizens benefit from increased economic production. Each of the three methods of calculating GDP (the product (or output) approach, the income approach, and the expenditure approach), however, uses only monetary inputs/outputs. These are the GDP’s strengths: fairly modest data requirements, consistent data collection across nations, and easy comparable. Its inherent weakness is that it is limited as a measure for economic activity: it does not account for the full costs of production or consumption, ignoring any negative externalities, the cost of which will be borne by future generations.

This is also the fundamental weakness in treating the GDP as an indicator of well-being as it does not include any social or environmental indicators. As such, it is a poor measurement or proxy for ‘progress’ or ‘well-being’, yet it has been the dominant measure of economic progress since the Great Depression.

A growing number of decision-makers have acknowledged that economic growth, as currently defined and as measured by the GDP, is not the only important measure of human welfare. Happiness and well-being, previously excluded from serious consideration by mainstream economics, have emerged in recent years as serious topics of economic debate and policy innovation.

The establishment of the "Beyond GDP" initiative under the sponsorship of the European Commission and the Organization for Economic Co-operation and Development (OECD), and former French President Sarkozy's Commission on the Measurement of Economic Performance and Social Progress are evidence that some governments regard economic growth as only one measurement of well-being. The commission concluded that "the time is ripe for our measurement system to shift emphasis from measuring economic production to measuring people's well-being", and it provided a detailed set of socio-economic reflections and analyses to support this (and other) conclusions (European Commission, 2012).

As well, in early 2012, the UN's High-Level Panel on Global Sustainability noted the need for "the international community [to] measure development beyond gross domestic product (GDP) and develop a new sustainable development index or set of indicators." One of the most significant outcomes of Rio+20, the United Nation's high-level conference on sustainable development was a commitment to implement a new indicator of progress. The World Bank's natural accounting initiative is another key step to more accurately measuring the real costs of economic growth decoupled from ecological impacts.

Bhutan's Gross National Happiness (GNP) already measures human happiness and well-being as the principal scorecard for national success. The GNP has also inspired or influenced similar initiatives at all levels, from towns and cities, such as Seattle in the United States, to state-level governments, such as Assam, India (Institute for Studies in Happiness, Economy and Society, 2012).

Top-down, governmental policy initiatives are starting to coalesce with a growing number of bottom-up grassroots and intellectual movements and concepts, including the "happiness movement," the "downshifting movement" (reflecting people who choose to work and earn less in exchange for more time and higher quality of life), the concepts of common asset trusts (Constanza, 2012), and the gift economy (Eisenstein, 2012).

These latter two concepts, as well as those of Green Growth, and Green Economy premise an economy in which progress is measured beyond simply that of economic growth, and call for the need to redirect government support, incentives, and investment towards sustainable practices, products and services, and to value sustainable development over growth regardless of the costs to the environment.

We also see a growing number of alternatives to the for-profit business model of maximizing profits for shareholders as its raison d'être. Alternative business models exist within our economy that include social and environmental considerations in their raison d'être: co-operatives (guiding principles focus on openness, democracy, participation, autonomy, education and training, co-operation, and sustainable development of their communities); and benefit corporations (create general benefits for society with a material positive impact, and consider impact of decisions on employees, community, and the environment). Industry Canada (2011) notes that integrating 'corporate social responsibility' (CSR) into a business model can help "make a business more competitive by supporting operational efficiency gains; improved risk management; favourable relations with the investment community and improved access to capital; enhanced employee relations; stronger relationships with communities and an enhanced license to operate, and improved reputation and branding".

ACTION REQUIRED

We need to redirect the source of our economic growth from unsustainable inputs and outputs to sustainable ones, leading to changing development paths.

We need broader, more inclusive metrics that capture social progress and well-being, which take into account environmental impacts and social issues.

We need to move towards an economy in which broader measures of human progress and benefit are considered, such as those captured through the Genuine Progress Indicator (GPI) and the Human Development Index (HDI). The market cannot determine the values by which people live; it is up to political leadership to reflect those values in the policies they implement, to reintroduce the 'why' that has been ignored or lost, rather continuing to dwell on the 'what' and 'how' on output, resource utilization, growth and profitability.

We need to refocus on those values that are critical for human development, and regard economic development as a means to that end, not a goal. We need economic development that is restorative and regenerative, that reduces greenhouse gas emissions, contributes to social justice through wealth distribution, human well-being, biological diversity, and quality of life, reduces inequalities, and reduces material throughput.

We need a re-localization of the economy between national and global markets, using the principle of subsidiarity by national governments. Some of which is already occurring through the slow food and the 100-mile diet movement towards a smaller, slower and more local state of affairs. There is also movement from competitive toward more co-operative models. The co-operative system has over one billion members worldwide, and within Canada, seventeen million members, with new co-operatives emerging in alternative energy and virtual healthcare (Bardswick, 2012).

We need new models, which allow for development in poorer countries or regions where it is needed to increase the health and economic well-being of the population and provide equitable opportunities, and also allow for shrinkages and reductions (selective de-growth) for example, in the consumption of irreplaceable resources, and a shift in consumption patterns in the wealthier countries or regions (Costanza and Klein, 2012).

We were unanimous in our conclusions that the evidence is very clear that the present economy based on perpetual growth, rising levels of debt, and continuing ecological deficits cannot continue. Although the de-growth movement has been very critical of sustainable development, we agreed that the future competitiveness of this country is reliant on the more rapid implementation of sustainable development and a shift from a GDP-focused economy coupled with corresponding legislative changes, especially with respect to financial market oversight. Business and social innovation leaders working with proactive governments committed to values-based leadership is critical to this transition.

We were also unanimous that 'de-growth' as a concept does not work, as de-growth is in itself not a goal, but perhaps an outcome. Research has shown that conditions of low or zero growth can effectively deliver prosperity (Victor, 2012). It is about changing the nature of our development paths, redirecting their trajectories towards a stead state economy of a stable or mildly fluctuating scale.

Clearly, we need to expand our measures of progress from a simple growth metric, the king of all indicators, the GDP, to human well-being.

The following provides an agenda for moving towards a more diverse economic agenda based on sustainable prosperity.

ACTION AGENDA FOR DECISION-MAKERS

We recognize our economy as currently configured is very effective at delivering goods and services. We propose redirecting those strengths to change our current unsustainable development pathway to a new economic model that sustains ecological inputs while optimizing outputs.

1. ***Measure well-being, not outcomes.*** *Adopt a national indicator of well-being as the predominant indicator of human progress. A set of sustainable indicators should be developed in each community, in partnership with the community infrastructure of the United Way. (See **OECD indicators**)*

2. ***Regulatory and Policy Framework.*** *Develop a combination of regulations critical to sustainable development pathways, which impose quantitative limits, limits on practices and, in some cases, taxes to internalize external costs.*

3. ***Future value of resources.*** *Implement accounting practices that value current and future natural resources equally. (See the **Stern Report**)*

4. ***Transition to a low carbon economy****. Embed an estimated cost of carbon into all public financing to create disincentives to fund projects that contribute to increased climate change.*

5. ***Reinvestment.*** *Redirect incentives and subsidies for fossil fuel production, fossil fuel dependent goods, and other sectors with negative environmental externalities should be redirected towards long-term investment in more sustainable development pathways.*

6. ***Subsidiarity.*** *Implement subsidiarity, an organizing principle stating that a matter ought to be handled by the smallest, lowest, or least centralized authority capable of addressing that particular issue.*

7. ***National Waste Strategy.*** *Develop ambitious targets to reduce greenhouse gas emissions and policy development focused on eliminating waste, including virtually zero waste from production processes by 2020 by all levels of government. (See **Zero Waste International Alliance**)*

8. ***Sustainable Infrastructure.*** *Prioritize the maintenance and transition to sustainable infrastructure at the national, provincial and municipal level. Explore co-operative models for managing common assets and for the management of public utilities and infrastructure.*

9. ***Financing Strategies.*** *Support this transition with innovative financing and market strategies for investment in renewable energy, energy efficiency, the green economy, developed by a financial leaders' working group, including leaders from the country's business schools. The development of green revolving loan funds by municipal governments is a critical first step. (See **FCM**)*

10. ***Re-localization.*** *Develop new policies at all levels of government, that stimulate re-localization innovations, and co-operative business enterprises to build greater local economic diversity and social innovation, in order to increase community resilience to exogenous shocks.*

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