**International Degrowth Conference 2014, Leipzig 2.-4. 9. 2014**

# Scientifique Session: Degrowth versus Growth. Do we really have the choice?

Debates between growth-skeptics and growth-fetishists are numerous and we are often faced with the idea that our highly developed societies would have a choice between growth and no-growth. Several arguments support the idea that the era of high growth is over and will not come back. Furthermore, politics may not be able to invert this trend and trying to do so may in fact have negative social consequences.

In our session we want to discuss the reasons for the sustaining growth-weakness in the old world (for example Japan, Europe) and why it is not possible to change this with the policies preferred during the last decades. We will present theoretically and empirically based analysis of the drivers of economic growth in the past and how have lost their dynamics. We will have a look at historical drivers of growth like technological change and how they may lose their ability to drive growth in the decades to come. We will also focus on factors hampering growth in developed economies: like the growing part of services, demographic dynamics or environmental constraint (external costs on the environmental side, scarcities and higher prices of energy and other resources).

We will explain why policymakers have less and less power and lack relevant instruments to change these economic facts and trends and why their interventions during the last decades to "buy" growth were one of the reasons of the financial and social crises in Europe and worldwide.

Finally, we will focus on long-term growth resilient strategies for our economies, look at their scientific robustness, so as to identify research gaps and assess whether they can offer positive political narratives, as ways out of economic, social and environmental crises.

## Kay Bourcade: Decreasing Growth is the normality

The paper addresses a core assumption of economic policy, namely, the assumption growth by steady high rates being typical to economies.[1] Such exponential growth, however, lead to an ever more dynamic increase of the GDP. In the seventies, the Club of Rome has already criticized this in its book "The Limits to Growth" to be a hazard to the environment and to mankind as a whole. In the face of the prevalent assumption, which also underlies the bestseller's influential conclusion, the paper demonstrates that almost all western economics show mere linear growth. As a result, for decades, growth rates have been on the decrease worldwide. This development must not be considered an

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1 (das mit den günstigen Bedingungen und dem typischerweise steht in einem gefühlten Widerspruch, muss meiner Ansicht nach so nicht in ein Abstract, klingt auf Englisch noch problematischer)

aberration from economic normality, which needs to be explained, but to be typical for modern economies. Still, since growth rates nevertheless are the most prominent indicator for the success of economic policy, politicians are constantly urged to take “countermeasures” against almost any current economic performance. A multitude of fundamental changes in economic and social policies, which have been taken for this reason in Germany, may therefore to be revaluated. In contrary to the usual critique of being ineffective or unsocial the issue addressed here is that by such reformations politics tragically tries to improve the conditions for growth in order to “restore” a normality, which, empirically, has never existed.

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## Sjak Smulders : The economics of slow growth

We document two stylized facts. First, most periods in history have been characterized by per capita GDP growth that was an order of magnitude slower than modern growth in the “old world”. Second, most countries with capitalists institutions have grown steadily and relatively fast. This presents us with a puzzle: does the recent growth slowdown in the capitalist old world mean that the second stylized fact was an historical exception, or is the current phase of low growth just a temporary phenomenon?

We apply modern growth theories to analyze this puzzle. Neoclassical growth theory explains growth slow-downs in institutionally stable economies from either the exhaustion of catch-up potential, or the slowing down of innovation possibilities. We dismiss both as plausible explanations for the current growth slowdown and as basis to expect low growth in the near future. We then present two alternative growth models: one based on speculative investments and inefficient financialization and the other based income inequality and monopolization of investment opportunities.

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## Andreas Breitenfellner : The Great Slow Down - Long-term trends in growth and inflation in advanced economies

Putting cyclical volatility and bubbles aside a secular tendency towards lower growth and inflation has been observed in advanced economies over the last decades. This paper compares post-war trends in GDP growth and CPI inflation in OECD economies, using annual data. I apply simple (statistical) methods to decompose both indicators into cyclical and trend components and analyse their relation to each other in a Phillips-curve framework. Then I check candidates for explanatory variables via scrolling correlations: productivity, investment, real interest rates, income per capita levels, productivity, (un)employment levels, inequality indicators, etc. Finally I quickly discuss alternative theories that might contribute to the narrative of the observed steady downward trend: Secular Stagnation, Great Moderation, debt deflation as well as Financialization, globalisation, etc. The purpose of the paper is not to get clear answers yet but to set the stage for further empirical research on the issue.

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## L. Chancel: A post growth society of the 21st Century: Does prosperity have to wait for the return of economic growth?

The academic literature shows that beyond the current crisis, there is a good deal of uncertainty regarding the capacity of the different countries to restore high growth. Many factors, such as the expansion of the service sector, the pace and nature of technological innovation, and demographic change, all indicate that average growth within the European Union could be lower in the coming decades than over the last 30 years.

The modelling exercise carried out in this report studies the linkages between climate and macroeconomics. It confirms the diagnosis of uncertainty surrounding the future of economic growth: under pessimistic but plausible assumptions for the coming decades (concerning energy resources, the cost of renewable energy, or lifestyle changes), the environment significantly reduces growth.

Looking at four dimensions of prosperity: employment, well-being, inequalities and social protection, this study shows that very low growth rates in the future do not imply forsaking prosperity as it is conceived in European democracies but low growth calls for a higher level of deliberation and arbitration.

Based on the Iddri study 11/2013

## Andreas Stocker

## Long-lasting low growth Scenario: The case study Austria

This paper reports on an Austrian research project that dealt with the question how the Austrian society could cope with long-lasting low economic growth. Various causes of low-growth that are relevant for Austria (a deteriorating balance of trade, increasing resource prices, consumer restraint of households and less immigration) have been identified, leading to an only moderate GDP growth of 0,55% per year. The resulting impact on the economy is high: the labor market suffers from a shortage of labor supply (due to reduced migration) and from a reduced demand for labor (due to reduced demand in consumption, investments and exports). Subsequently, less employment decreases the development of the disposable income of private households (tax rates and social security contributions being constant. Related to this, public debt is higher due to reduced tax incomes and slightly growing public expenditures. From an ecological perspective, resource consumption increases slower, but no absolute reduction can be reached. CO2 emissions also slightly increase. It can therefore not be assumed that low growth leads to achieving energy and environmental policy goals.

This presentation is based on a case-study

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