



## Methodological and Ideological Options

## The growth paradigm: History, hegemony, and the contested making of economic growthmanship



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## ABSTRACT

'Economic growth' is widely regarded as a key goal of national and international economic policies, not only across the political spectrum but also in all countries, and it has been dubbed the most important idea of the twentieth century. Yet, how did the pursuit of economic growth become a key priority taken for granted among social scientists, politicians, and the general public? Building on studies of the so-called Post-Development school and focusing on the OECD, one of the least understood international organizations, the article offers a source-based and transnational study to chart the history of growth discourses. After setting this analysis in the context of the current debate about the relationships between GDP, welfare, and environmental sustainability and after introducing a definition of the growth paradigm, the article sketches its historical (re)making in postwar history by focusing on four entangled discourses. These claimed that GDP, with all its inscribed reductions and exclusions correctly measures economic activity, that its growth serves as a magical ward to solve all kinds of often changing key societal challenges, that growth was practically the same as some of the most essential societal ambitions such as progress, well-being, or national power, and that growth is essentially limitless.

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## 1. Introduction

The Organization for Economic Co-operation and Development (OECD) has recently proclaimed that “[f]or a good portion of the 20th century there was an implicit assumption that economic growth was synonymous with progress: an assumption that a growing Gross Domestic Product (GDP) meant life must be getting better” (OECD, 2008, cover text). And indeed, the dominance of the growth imperative is hard to ignore: growth statistics regularly appear on the front pages of newspapers, play a key role in economic analyses, and pervade political debates, not only across the political spectrum but also in all countries. Since these numbers have come to form our very language, it seems almost impossible to think about economic issues without referring to GDP and its proxies. The recent global economic crisis has conspicuously demonstrated how dependent capitalist economies are on growth and how even minor reductions in growth rates were received with almost religious disappointment (Sedlacek, 2011).

Environmental historian McNeill (2000, p. 236) has argued that the “overarching priority of economic growth was easily the most important idea of the twentieth century”. Although this statement might at first seem exaggerated, there are good reasons that justify this view.

Not only was the idea of economic growth at the core of the ideologies of the socio-economic and political systems whose competition marked the twentieth century, capitalism and communism in their different varieties. More importantly, the social and economic policies that were the result of the overarching priority of economic growth, or were justified by it, have fundamentally and irreversibly reshaped societies and the planet itself. Over the twentieth century, millions of people have come to take part in the production and consumption of ever increasing quantities of goods and services, even though extremely uneven over time and space. At the same time, economic growth has caused environmental changes of unprecedented proportions that are threatening the livelihood of millions of people today, and even more so that of future generations. Ecologists, geologists, and historians have used the concept of the “anthropocene” to mark the fundamental transformations related to the fact that through the global spread of capitalist modes of production and living humanity itself has become the dominant geological force on planet earth (Bonneuil and Fressoz, 2013; Chakrabarty, 2009).

In light of the sweeping acceptance of the pursuit of growth as a key policy goal around the world it is easy to forget that not only the reality of economic expansion, but even more so growth as a key category of economic and public discourse is a surprisingly recent phenomenon. Although a highly ambivalent and elusive term, the semantic core of economic growth is statistically fixed. It is generally defined as the

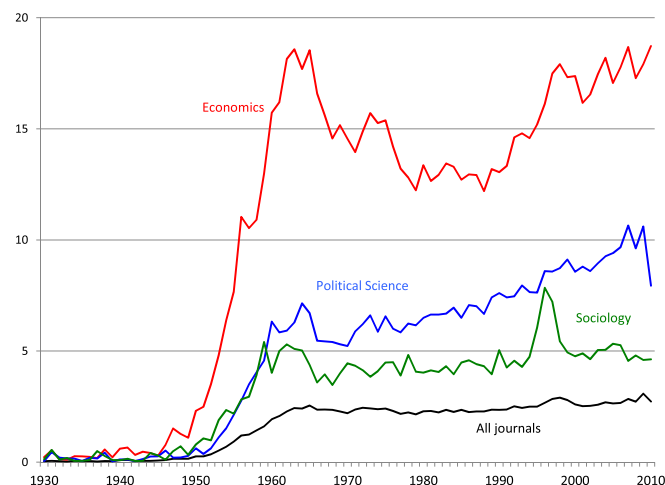
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annual increase in the monetary value of all the goods and services produced within a country, including the costs of producing all the services provided by the government (either measured as GNP or GDP).<sup>1</sup> Before the 1820s, when economic growth accelerated in the context of the industrial revolution, economic activity around the world had been characterized by periodic ups and downs, only expanding by an average of 0.05% annually – as far as this can be measured retrospectively – and this was largely due to the slow increase of populations. Even more recently, the term ‘economic growth’ was not widely used before the middle of the twentieth century, but during the 1950s it advanced to become a key notion, not only within economics and other social sciences, but also in political discourses and everyday speech (see Chart 1). How can this be explained?

Scholars from a variety of fields, including renowned historians, have described growth as a “fetish” (John R. McNeill) or “obsession” (Barry Eichengreen, Hermann van der Wee), an “ideology” (Charles Maier, Alan Milward), “social imaginary” (Cornelius Castoriadis, Serge Latouche), or an “axiomatic necessity” (Nicholas Georgescu-Roegen). With diverging emphasis, these scholars have highlighted the quasi-religious adoration of growth by economists and policy-makers, the underlying interests that are served and at the same time concealed by the dominance of the growth discourse, in particular in the context of postwar class conflicts and Cold War confrontations, or the general acceptance of growth as an incontestable dictum.

However, while studies on economic growth – explaining, assessing, and modeling its causes, effects, and various growth policies – constitute the core of both economics and economic history, there are strikingly few accounts on how economic growth became self-evidently regarded as the key goal of economic policy-making by social scientists, politicians, and the general public.<sup>2</sup> Building on studies of the so-called Post-Development school, I argue the exceptional position of economic growth as a core policy goal is based on the hegemony of the ‘economic growth paradigm’ and cannot be adequately understood without taking into account the complex structure and long-term historical evolution of this paradigm and its underlying power relations. Economic growth is, of course, one of the key features of capitalist societies, which are predicated upon the continuous accumulation of capital, and to some degree all states in a competitive state system pursue the national interest of increasing their wealth and thus their power. In fact, capitalist societies are dynamically stabilizing and reproducing themselves in a steady process of expansion and intensification with regard to space, time, and energy (Dörre et al., 2009; Kocka, 2013; Marx, 1962). One could thus argue that growth is merely the name given to the automatic expansion produced by the economic and technological system (Ellul, 1980). Yet, similar to “development,” growth was not merely a socio-economic or technological process or the result of power-relations, but also “a particular cast of mind [...], a perception which models reality, a myth which comforts societies, and a fantasy which unleashes passions” (Sachs, 1992, p. 1).

After setting this analysis in the context of the current debate about the relationships between GDP, welfare, and environmental sustainability, the article introduces a definition of the growth paradigm. Based on original archival research, the main sections sketch the historical making and remaking of the growth paradigm in postwar history by focusing on the debates within one of the least understood international organizations, the OECD. Founded in 1948 as the Organization for European Economic Co-operation (OEEC) to administer Western



**Chart 1.** Percentage of articles published in all academic journals in the JSTOR database that contain the term “economic growth”, by discipline, 1930–2010.

Source: Own calculations, based on Data for Research, <http://dfr.jstor.org>

European Marshall Plan aid, the OECD was in 1961 refounded as the key forum and think tank for core capitalist countries, in which civil servants developed, harmonized, and collectively legitimated economic expertise, standards, norms, and policies.<sup>3</sup> In particular, the article highlights four discourses that collectively legitimated, universalized, and naturalized the growth paradigm and its underlying social and power relations: GDP as a measure; growth as panacea; growth as the universal yardstick; and growth without limits.

## 2. GDP, Welfare, and Limits: The Current Debate

Over the last 200 years, economic growth has been bound up with the most dramatic rise in living standards for millions of people, even though socially (class, race, gender) and geographically very unevenly, and it still is the rallying cry for millions of others who hope for a better life. And, as French economist Piketty (2014) has demonstrated in *Capital in the Twenty-First Century*, economic growth seems to be essential to counter capitalism’s tendencies to increase inequality since in times of slow growth inequalities in income and wealth increase as wages tend to grow much slower than returns on capital.

However, there are good reasons to question the desirability or possibility of further quantitative growth in industrialized countries. First, the universal merits of maximizing growth have become rather dubious. Studies in welfare and feminist economics, social history, and ecological economics have shown that the focus on GDP is “mismeasuring our lives” (Stiglitz et al., 2010). In particular in recent years evidence has been mounting that as national income increases beyond a certain threshold (which most OECD countries reached in the 1970s), it ceases to translate into improvements in human well-being. These studies show that recent growth in rich nations did not alleviate poverty, nor has it been indispensable for human flourishing, for which other factors, most importantly the degree of equality, are much more important. They demonstrate that recent growth in rich nations did not alleviate poverty, nor has it been indispensable for human flourishing, for which other factors, most importantly the degree of equality, are much more important (Offer, 2006; Waring, 1999; Wilkinson and Pickett, 2011).

Second, the ecological and social costs of economic growth are not negligible, especially in the context of achieving global social justice to overcome the North–South divide and repay the accumulated

<sup>1</sup> The differences between the older concept GNP and the newer GDP are not relevant to the argument in this paper and will thus be neglected. For more details see Cassiers and Thiry, 2015; Fioramonti, 2013; Speich Chassé, 2013; and Stiglitz et al., 2010.

<sup>2</sup> The most important studies are an older study on the rise and fall of growthmanship by Arndt (1978), studies on growth politics in the US (Collins, 2000) and Japan (O’Byrne, 2009), studies on the history of GDP (Fioramonti, 2013; Speich Chassé, 2013), and studies based largely on these accounts, in particular Arndt (Victor, 2008, chap. 1). Two highly informative studies of the growth paradigm are the neo-Gramesian analysis by Stephen Purdey (2009) and an ideology-theoretical article by Gareth Dale (2012).

<sup>3</sup> This article builds on key results of a research project in economic history. For more details, also regarding the state of the art of historical knowledge about the growth idea, see Schmelzer (forthcoming).

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