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Analysis

Identifying Barriers Toward a Post-growth Economy – A Political Economy View

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ABSTRACT

In this paper, we take a political economy perspective on barriers that inhibit a transition beyond the growth-paradigm – that is, we frame transition barriers as looming conflicts of interest. Specifically, we investigate potential transition barriers within three case studies. First, unemployment represents the most commonly cited reason why economic growth is considered indispensable. Second, alternative indicators to Gross Domestic Product (GDP) have not succeeded in replacing GDP as a standard metric of economic welfare. Third, pension schemes rely on economic growth to offset demographic change. In each of these three examples, we identify actor-interest constellations that foster the status quo of a growth economy. We conclude that compensating some of those actors who would presumably be worse off in a post-growth economy may be necessary – though not sufficient – for a transition.

1. Introduction

A puzzle: some policy proposals for a post-growth transition draw on well-known and rather uncontroversial arguments and yet they find only scant implementation in practice. Consider working time reduction (e.g. Pullinger, 2014; Zwickl et al., 2016). In 1930, Keynes had famously asserted his expectation that within hundred years the average work week would be reduced to 15 h; also, his fellow economist John Hicks in 1946 declared working-time reduction a useful means of avoiding "secular unemployment" (cited in Bosch and Lehndorff, 2001: 210); and Ludwig Erhard, generally credited as the father of Germany's "economic miracle" in the 1950s and 1960s, assumed that the day where increases in leisure would be preferred to increases in material consumption would inevitably arrive (Erhard, 1957: 233). Nevertheless, productivity gains in the last decades have mostly been translated into increased income as the average usual weekly hours worked on the main job in the OECD still stand at 40.4 in 2016.[1] For another example, recall the persistence of gross domestic product (GDP) as the leading indicator informing policy guidelines around the world – a widely acknowledged misuse of a metric that merely records output. For instance, the Stiglitz-Sen-Fitoussi commission, assigned by then French president Sarkozy stated: "it has long been clear that GDP is an inadequate metric to gauge well-being over time particularly in its economic, environmental, and social dimensions, some aspects of which are often referred to as *sustainability*" (Stiglitz et al., 2009: 8, emphasis in original). But even though numerous alternatives to GDP have been designed, none of them has dethroned GDP in practice. So why have such seemingly broadly appealing causes as working-time-reduction and replacing GDP not been implemented on a much wider basis?

A recent paper on barriers for alternative indicators to GDP (Bleys and Whitby, 2015) points to a number of possible reasons for inertia, such as context (e.g., financial crisis), the alternative indicators themselves (e.g., lack of standardized methodology) and user factors (e.g., distrust of monetary aggregation). Even though these factors may be relevant, they do not inform a crucial question, to wit: ***which actor-interest constellations foster the status quo?*** We argue that identifying the interests opposed to a transition (i.e., politico-economic barriers) beyond the growth paradigm has not yet received sufficient attention. This negligence may potentially backfire in that there is lot of "preaching to the choir" (van den Bergh, 2011: 886) – that is, specific proposals persuade only post-growth advocates, but yield no substantial progress in terms of identifying and overcoming transformation barriers. While a range of obstacles, such as the above-mentioned ones, may inhibit the transition in various contexts, politico-economic barriers may be particularly important because opposed interests might

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[1] In the very long run, since the apex of industrialization, full time work weeks have become much shorter (Bosch and Lehndorff, 2001: 214ff.) whereas in the last decades they have only incrementally declined – from 42.1 h in 1983 to 40.4 h in 2016, which implies a 4% decrease over thirty years. By comparison, productivity across the OECD – measured in GDP per hour worked – has increased by 20% between 2000 and 2015; accordingly, keeping total GDP constant would have allowed reducing working time by 17% since the turn of the millennium alone. (source for OECD working time data: https://stats.oecd.org/Index.aspx?DataSetCode=ANHRS; for productivity data see: https://data.oecd.org/lprdty/gdp-per-hour-worked.htm).

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actively try to subvert any transition efforts.

Regarding this issue, the literatures on transitions to sustainability and beyond growth exhibit some shortcomings. For instance, proponents of the Multi-Level-Perspective emphasize innovation as the key aspect of sustainability transformations and have only recently acknowledged the need to address the destabilization of current system configurations (cf. Geels, 2014; Geels et al., 2017). Overall, regime resistance and politico-economic barriers have not been at the focus of the transition literatures (see also Strunz, 2014; de Jesus and Mendonça, 2018). Very few studies explicitly identify post-growth barriers: Antal and van den Bergh (2013) focus on macroeconomic barriers arising, among others, within the financial system. Buch-Hansen (2018) proposes general prerequisites for a degrowth paradigm shift from a transnational historical materialism view. The growth-employment nexus as a possible transition barrier has been analyzed rather extensively (see Section 3.1). Most pertinent politico-economic studies, such as those investigating interest constellations within the climate and energy sector (e.g., Jenkins, 2014; Gawel et al., 2014; Strunz et al., 2016), however, do not explicitly relate to the post-growth discussion. So, what the literature seems to be lacking, is an inventory of interests opposed to a post-growth transition.

With reference to such conflicting interests, the environmental economics literature has long emphasized that, though environmental regulation will often lead to an increase in overall welfare, it might fail to establish a Pareto-improvement, as producers and consumers of environmentally damaging goods will be worse-off (e.g., Buchanan and Tullock, 1975; Downs, 1973; Fullerton, 2011). Consequently, environmental policy runs the risk of being blocked or disfigured by well-organized interest groups (consider the climate change counter-movement in the US, see Brulle, 2013). Therefore, in order to develop politically feasible (i.e., democratically legitimated) approaches, various mechanisms to compensate potential disadvantaged parties have been proposed (e.g., Bovenberg and Goulder, 2001; Gersbach and Requate, 2004; Fischer, 2001; Fredriksson and Sterner, 2005; Sterner and Höglund Isaksson, 2006). Some of these have seen application in practice, such as the step-wise shift from initial "grandfathering" toward auctioning of emission permits in the EU emissions trading scheme instead of a complete auctioning from the start.

Thus, insofar as the post-growth transition restricts the exploitation of environmental resources, it will face severe political resistance regarding the redistribution of resource rents. Moreover, potentially (or even intentionally) cropping economic growth rates is likely to face additional resistance from those who currently profit from GDP-growth – any increase in overall welfare notwithstanding. Still, some radical critics of the growth paradigm call for institutional rupture, thereby sidelining more reformist, let alone compensation approaches (e.g., Deriu, 2012; Klein, 2014). Thus, we find a somewhat paradoxical situation: some hope for radical institutional renewal whereas specific proposals that enjoy widespread support, such as working-time reduction and alternative progress−/welfare indicators, do not find much application in practice. Moreover, it remains open whether and how those institutions, which the more radical critics, too, would like to keep, can be transferred to and financed within a post-growth economy. For instance, Demaria et al. (2013: 203) argue that "some form of social security and public health, public kindergarten and schools, or some other elements of the welfare state" need "to be defended" – but they are silent on what this demand might entail more specifically.

This, in turn, is the starting point of present paper: it aims to identify relevant actor-interest constellations that inhibit the transformation beyond the growth paradigm. In principle, all actors profiting from GDP-growth should be taken into account. Our basic presumption is that in order to understand the persistence of the growth paradigm, an identification of these politico-economic transformation barriers is indispensable. To do so, we employ a political economy perspective (Mueller, 2003). This perspective centers on the self-interest of all actors involved in the political process in representative democracies – voters, politicians, interest groups and bureaucrats. Based on this perspective, we analyze three specific examples of transition barriers. First, unemployment represents the most commonly cited reason why economic growth is considered indispensable since without overall growth of economic output, productivity gains might increase unemployment. Second, alternative indicators to GDP have not succeeded in replacing GDP as a standard metric of economic welfare. Third, pension schemes rely on economic growth to offset the demographic trend toward population ageing in many countries. In each of these three examples, we rely on the political economy perspective to identify actor-interest constellations that prolong the status quo.

Against the background of these examples, the following question arises: how to achieve sufficient consent of those actors whom the 'turn of the tide' caused by a post-growth transition would leave worse off?[2] In short, there will be no transition without addressing conflicts of interest. Assuming that these conflicts are to be mitigated in a peaceful and democratically legitimated way, compensation may be one (but not the only) inevitable consequence where persuasion does not succeed. As we will see, the arising cleavages are more complex than "capital vs. labor" or "the 1% vs. the 99%". While reduction of economic inequality may represent an important cornerstone of transition policies, the transition also pins different regions, different generations or different administrations against each other. Thus, the present paper seeks to remind post-growth proponents that the transition requires more than the collection and elaboration of techniques that will formally result in a sustainable rate of material throughput (e.g., Daly, 2017:101). Rather, deliberate strategies to overcome political economy barriers to change have to be developed.

The rest of this paper is structured as follows. Section 2 outlines the conceptual framework by introducing the basic assumptions of the political economy perspective and by providing a working definition of post-growth economy. Based on this framework, Section 3 analyzes which actor-interest constellations inhibit the post-growth transition within the three examples of unemployment, alternative welfare indicators and pension schemes. Section 4 discusses the results and Section 5 summarizes briefly.

2. Conceptual Framework

2.1. The Political Economy Perspective

As conceptual framework, this paper draws on the assumptions of the political economy literature. This perspective focuses on the self-interest of different actor groups within institutional settings as main explanatory variable for the societal allocation of rents: through the co-evolution of actor groups and institutions, the well-organized actors obtain more rents at the expense of the less-organized actors. In Buchanan's (1984) words, the political economy perspective comes down to a "politics without romance" view. More specifically, the following assumptions are made regarding the rationale of actor groups in representative democracies:

- *Voters* decide rationally. That is, they aim at maximizing their utility according to their preferences. Thus, voters' self-interest constitutes an important explanatory variable for voting behavior (Downs, 1957).
- *Interest groups* engage in rent-seeking. That is, they aim to influence regulation in their favor. Different interest groups compete in this quest, for instance via public campaigns and direct lobbying of

[2] This is not to say that economic growth necessarily makes everyone better off: the political economy perspective also implies that private interests can be framed and disguised under the trickle-down narrative that growth naturally benefits everyone. Empirically, the benefits from economic growth have been highly unevenly distributed in the past (e.g., Milanovic, 2016; Piketty, 2014).