Review article

Rethinking economic growth

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Daniel Susskind, *Growth: A Reckoning*, Allen Lane 2024

How can we resolve the conflict between the lure of growth and the price we pay for it?

After the Second World War, the pursuit of economic growth came to dominate politics and society, not just in the West, but throughout the world. People in poor countries aspired to catch up with the West; Western nations chased each other ever onwards and upwards in a league of their own. The measure used to compare growth performance, both over time and across national boundaries, was Gross Domestic Product (GDP) per head of population. It was taken for granted that there was no limit to growth and that growth was an unqualified good.

With the onset of a prolonged period of anaemic growth after the financial crash of 2008 and the recession that followed it, these assumptions were called into question. Faced with persistent budget deficits and rising public debt, governments were keen to continue the quest for growth, but without a revival in business confidence and investment, nothing they tried seemed to work. The public, for their part, began to lose faith in government and worried about the downside of growth: climate change, nature depletion, deepening inequalities and destabilising technologies.

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In his book *Growth: A Reckoning*, Daniel Susskind, a research professor at King's College London, argues that resolving the growth dilemma is the urgent task of our age. Written with verve in lucid prose, his book is wide-ranging and well-researched, but perfectly accessible to the general reader. Above all, he tackles big questions of political economy from a deeply ethical perspective.

Economic growth: the long view

Susskind argues that prior to the last 200 years, most human beings were engaged in a relentless struggle for subsistence: economic growth, understood as a substantial and sustained rise in living standards, did not begin until the late eighteenth/early nineteenth century, when Britain was on the way to becoming the world's first industrial nation. The evidence he cites comes from a variety of sources: the findings of economic historians on workers' wages and 'subsistence ratios' (estimated annual incomes relative to the bare minimum needed to survive) in both Europe and Asia since the middle ages; estimates of global GDP per capita over the past two millennia; data on life expectancy in England since the early sixteenth century; and the average heights of men and women from the third to the twentieth century, as determined from skeletons unearthed in Europe and North America. In each case, when the data are plotted on a graph, they resemble a hockey stick: a long and mostly flat stretch with no particular trend (the 'shaft'), and an explosive rise beginning shortly after 1800 (the 'blade').

In his account of the world economy over the last two millennia, Angus Maddison makes estimates of global GDP per capita over time, but these are contentious.[12] As a student of macroeconomic history, he seeks to explain how and why some parts of the world have become rich and others have lagged behind. But the concept of GDP was not invented until the 1940s, and a standardised national accounting framework was not adopted until the 1950s, and then only by governments in the West. Hence, given the paucity of reliable historical statistics, especially before the modern era, Maddison's numbers are at best educated guesses. Moreover, even if his numbers are correct, there is fierce disagreement about what they imply. As can be seen in Tables 1 and 2 below, over the eight centuries before 1800 there was a slight upward trend in the level of global GDP, driven mainly by growth in Western Europe. Brandishing this result, Maddison pours scorn on the idea that at the dawn of the industrial age, people were no better off than

their distant ancestors; his critics accuse him of peddling fictions. Still, growth at an average rate of 0.05 per cent per year is miniscule compared with the upsurge recorded after 1800. Susskind is surely right, therefore, to focus on this contrast and to pose three questions: Why the 'long stagnation' in living standards? Why did growth accelerate after 1800? And how has it been sustained since?

It is, however, potentially misleading to speak of a 'long stagnation'. The term could be taken to mean the *absence* of technological change, as distinct from the relatively slow and uneven pace of change that characterised pre-industrial societies. Susskind also stretches the period of long stagnation well beyond the last 2000 years

Table 1: GDP per capita in the West, the Rest and the World, 1000-2003 AD (1990 international dollars)

	(1) West	(2) Rest	(3) World	Ratio (1):(2)
1000	427	451	450	0.9
1500	771	538	567	1.4
1820	1,202	580	667	2.1
1870	2,050	609	873	3.7
1913	3,988	880	1,526	4.5
1950	6,297	1,126	2,113	5.6
1973	13,379	2,379	4,091	5.6
2003	23,710	4,217	6,516	5.6

Table 2: Growth rates of per capita GDP, 1000-2003 AD (annual average compound growth rates)

	West	Rest	World
1000-1500	0.11	0.04	0.05
1500-1820	0.15	0.02	0.05
1820-1870	1.07	0.10	0.54
1870-1913	1.56	0.86	1.30
1913-1950	1.24	0.67	0.88
1950-1973	3.33	3.31	2.91
1973-2003	1.93	1.93	1.56

Source: adapted from Angus Maddison (2007) Tables 2.1 and 2.2, pp70-71

Note: West = Western Europe + Western offshoots in North America and Australasia; Rest = Asia, Latin America, Eastern Europe + former USSR and Africa

to encompass the entire prehistory of Homo Sapiens. Yet archaeological evidence from the upper palaeolithic period - about 30,000 to 10,000 BC - shows that nomadic hunter-gatherer bands did not live on the edge of starvation, but enjoyed relatively high standards of comfort and security. Nor did they work from dawn till dusk to feed themselves: according to Marshall Sahlins and Marvin Harris, they spent no more than three hours per day per adult foraging and hunting to obtain a diet rich in proteins and other vital nutrients, and a further three hours preparing food and manufacturing essential items such as clothing, tools and shelter.[23]

To be sure, hunter-gatherers were dirt poor, and had few possessions, but theirs was a shared poverty and in their daily lives they enjoyed an enviable degree of freedom. Moreover, as long as they managed to maintain the very low population densities on which their way of life depended, they were less susceptible to contagious diseases than the farmers and city-dwellers who came after them. Ultimately, of course, it was population pressure that drove the transition to settled agriculture. But this was accompanied by heavier workloads and a marked deterioration in the position of women, whose lives were henceforth beset by pregnancies, childcare and domestic labour. The biblical story of Adam and Eve's expulsion from the Garden of Eden may be a faint folk-memory of these tribulations. To Adam God says, 'In the sweat of thy face shalt thou eat bread', and to Eve, 'I will greatly multiply thy sorrow and thy conception; in sorrow thou shalt bring forth children; and thy desire shall be to thy husband; and he shall rule over thee'.

Changing perspectives on growth

In his *Essay on the Principle of Population*, first published in 1798, Thomas Malthus claimed that a sustained improvement in living standards was impossible: any rise in average income would encourage population growth, and the subsequent rise in the numbers seeking employment would drive wages back to subsistence level. In later editions, however, he admitted that historical evidence for the former proposition was not clear-cut, and offered a more plausible analysis of what he called the 'laws of agricultural production'. With a fixed supply of fertile land and unchanged methods of farming, it would become progressively more difficult to feed a growing population. As inferior, marginal land was brought under the plough and existing farmland worked more intensively, rising production costs would drive up food prices, and with them the rents on intra-marginal land. With wages already at subsistence level, employers

would have to pay workers more to keep them from starving and avoid unrest, while the redistribution of income in favour of rents at the expense of profits was likely to discourage investment in industry. Malthus acknowledged that landlords might pour capital into agricultural improvement, thereby increasing the supply of food, but argued that 'it could not be laid out without diminished return'. In short, natural conditions imposed severe limitations on the rate at which agricultural output could grow, impeding industrial development and hastening the advent of a 'stationary state' in which economic expansion would cease.

With the benefit of hindsight, we can see that Malthus seriously underestimated the pace and impact of technological change. As the nineteenth century unfolded, a revolution in agricultural science enlarged the capacity of Britain's limited supply of land to feed a growing population. At the same time, the building of roads, canals, bridges and railways lowered inland transport costs and created a single internal market, while advances in navigation, shipping and communication facilitated the expansion of overseas trade, enabling a small island to raise the living standards of its inhabitants. As Karl Marx exclaimed: 'What other century had even a presentiment that such productive forces slumbered in the lap of social labour?'

The lesson to be drawn was that humanity could escape the 'curse of Adam'. It was, however, perfectly possible to accept this truth while believing that at some point in the future economic expansion would terminate in a 'stationary state'. Some social philosophers worried about this prospect, but for John Stuart Mill it couldn't come soon enough. He welcomed material progress and prosperity, but deplored what we now call the rat-race, urban blight and the depletion of nature.[34] Keynes, too, in his essay *The Economic Possibilities for Our Grandchildren*, looked forward to the time, a hundred years hence, when, thanks to the joint action of science, technology and capital accumulation, the age-old struggle to meet basic human needs would finally be at an end and people could cultivate the art of living rather than selling themselves, body and soul, to obtain the means of life.[45]

Throughout the nineteenth century, political economy was regarded as a moral science. But in the second half of the twentieth century, 'economists', as they now called themselves, drew a sharp distinction between 'positive' and 'normative' domains of inquiry, the former concerned with the world as it is, the latter with the world as it ought to be. Figuring out how the economy works and how public policy affects it was a job for trained experts engaged in impartial, value-free inquiry;

the goals of policy were for voters, parties and governments to decide. Thus, as time went by, the idea that economic growth might involve costs as well as benefits fell into abeyance, and when, in the 1950s, economists began to study growth in earnest, they took it for granted that, under the right conditions, it could go on forever. Two questions dominated their research agenda: Why do growth rates differ - across nations and over time? And what can governments do to promote faster and/or steadier growth?

Explaining growth

Susskind distinguishes four types of investigation into the sources of growth: grand social narratives; mathematical models encapsulating a small number of key variables and relationships; the use of sophisticated statistical methods to identify patterns and correlations hidden in large data sets; and qualitative historical studies. He finds fault with all of them. Grand narratives attempt to fit human history into a single template, ignoring cross-national diversity. Macroeconomic models which abstract from history, culture and institutional forms are, at best, incomplete. Growth econometrics has yielded a wealth of correlations, but correlation is not causation, and in the social sciences, random controlled trials and 'natural experiments' are rarely possible. And historical explanations of growth are either too shallow to be insightful or too deep to be useful.

Susskind's own views are threaded through this critique. He points out that, despite holding diametrically opposed views about the stability and resilience of capitalism and the proper role of government, both Keynesian and neoclassical theorists regarded investment in *physical* capital - infrastructure, buildings, equipment, tools - as the prime source of growth. Yet empirical work offered no support for this presumption. In one famous study designed to test neoclassical growth models, the American economist Robert Solow found that, between 1909 and 1949, US output per person had roughly doubled, but only a small proportion of this growth - about 12.5 per cent - could be accounted for by the use of more capital or the employment of more workers. The remaining 87.5 per cent, ironically dubbed the 'Solow residual', was attributed to technological progress. In other words, US growth came not from using more resources, but from using resources more productively.[56]

But where had this technical progress come from? In Solow's models, it fell like

manna from heaven, and he himself thought that, with their existing theoretical tools, economists were unable to explain it. Two subsequent conceptual innovations helped to fill the explanatory hole. Both marked a departure from the physicalist paradigm and drew attention to the intangible sources of rising productivity. One was the concept of 'human capital', a general term used to refer to knowledge, skills and virtues such as honesty, diligence and sociability, which people (may) acquire from their upbringing, formal education or general life-experience.

The other breakthrough was the realisation that ideas have different properties from objects. Physical objects are 'rival': you can't have your cake and eat it - and if you eat it, no one else can have it either. This brute fact explains why the central themes of physicalist economics are scarcity, trade-offs, sacrifice, efficiency, optimisation, limits and constraints. But ideas are 'non-rival' in the economists' sense: conceptual innovations and new designs or recipes can be used and re-used without limit and without leaving fewer ideas for others. Understood in this way, technical progress is not at all mysterious: it flows from the activities of iconoclasts, pioneers, inventors, entrepreneurs and, indeed, anyone who comes up with a promising new idea in any sphere of social life. Nor is re-use simply a matter of duplication or imitation: insights get polished and improved with use. As Isaac Newton famously remarked: 'If I have seen further, it is by standing on the shoulders of giants'.

Gross domestic problems

After the Second World War, once full employment was - or seemed to be - assured, governments turned their attention to economic growth, which soon became a top priority. When the Organisation for Economic Co-operation and Development was established in 1961, it immediately set an ambitious target for its member states: to raise their collective GDP by 50 per cent in a decade. In part, the focus on growth was driven by the imperatives of the Cold War, a conflict that was defined not by violent confrontation between the two superpowers, but by proxy wars and the build-up and demonstration of military strength so as to contain, deter and weaken the adversary. It was also a battle of ideas about the best way of organising economic and social life: capitalism, the market and liberal democracy versus communism, central planning and the one-party state. Growth was central to both strategic aims: the bloc with the larger GDP would have greater war-fighting capacity and thus be more likely to prevail in any actual conflict; it was also more likely to win the battle for hearts and minds.

Growth held the key to success in domestic politics too. Governments presiding over booming economies could count on buoyant tax revenues and triple-A credit ratings, which provided the resources needed to tackle social problems. And growth made politics itself easier. For growth was something almost everyone, from left to right, could agree on, an invisible glue holding a divided society together. If conflicts can be resolved, grievances redressed and differences settled simply by dispensing fiscal largesse, deep moral conflicts rooted in disagreement about what matters and how much - for example, about inequalities of income and wealth, or the impact of human activity on the natural world - can be avoided.

Of course, the cult of growth had its critics. In *The Affluent Society*, J.K. Galbraith argued that, under advanced capitalism, consumer wants are created through advertising, peer pressure and acculturation.[67] Hence, what appears to be the expansion of output is merely the motion of a squirrel wheel. And in *The Costs of Economic Growth*, Ed Mishan challenged the 'fashionable view of economic growth as an obvious and desirable end'.[7] The issues raised by dissenters are best understood by examining the limitations of GDP - which is a complex statistical construct designed to measure the size and growth rate of a flow comprising all the various goods and services produced within a given country or region over a specified period of time - a year, a quarter or even a month.

GDP is the answer to the question: what do the members of a political community finally get from their combined economic activities? Superficially, this looks like a question about a matter of fact, especially since the answer is a number. But to calculate that number, public agencies employ small armies of statisticians and support staff to collect, classify and crunch the requisite data, using an operational manual that nowadays contains some 650 pages detailing how the job is to be done. In such an opaque, labyrinthine process, normative issues are liable to get lost. Only by reflecting on the question 'what do we *want* from our economic system?' can we decide whether GDP is a *satisfactory* answer.

The limitations of GDP are of two kinds: technical and moral. The chief technical problem is that GDP is primarily a measure of market production: that is, of goods and services produced for sale, mainly by privately-owned, profit-seeking firms. This is a vast and heterogeneous bundle, but we can measure its market value provided we know the price and quantity of everything in it. Some of the non-marketed 'products' we value, however, have no clear price or quantity: the classic case is

unpaid domestic labour and caregiving. If such work is valued at the going rates for commercial substitutes, the UK figure is equivalent to almost two thirds of GDP. Despite or perhaps because of this, unpaid services are excluded from GDP. Public services, however, are included. They too are provided free of charge to users and their 'output' is impossible to quantify, but their running costs - the public sector wage bill plus expenditure on procurement from the private sector - are covered out of tax revenue and thus serve as a convenient measure of value. Finance, of course, is not the only thing that matters, though it often seems to be. Moreover, lumping the public and private sectors together in this way may create the false impression that the business of government is no different from the business of business.

Two further problems affect the measurement of marketed production itself. Tax-dodging and law-breaking give rise to a shadow economy, the scale of which varies from one country to another. And technological innovation makes it difficult to compare levels of GDP over long(ish) stretches of time: think of candles and light bulbs or cinemas and streamers. It is also worth noting that the technical difficulties of measuring GDP have grown worse with the advent of a service-based economy.

The moral limitations of GDP were summed up by Robert Kennedy in a famous speech at the University of Kansas on 18 March 1968, four months before he was assassinated: 'GNP measures everything … except that which makes life worthwhile'. Among the many things money can't buy are natural beauty, love and friendship, wisdom and virtue, civic pride, social trust and public integrity. Conversely, many of the things GDP includes - such as cigarettes, ultra-processed foods, fossil fuels, fast fashions and social media - are harmful: to individuals, society, the environment or all three. Market price, in other words, is not always indicative of social value: the concepts overlap, but they are not the same. Some activities such as prostitution, drug-trafficking and arms production are morally controversial (and indeed many of the transactions involved in these sectors take place within the shadow economy). In other cases, everyone agrees on what constitutes deleterious effects: natural and man-made disasters, for example, are a bane. Yet recorded GDP will rise as a consequence of disasters unless losses due to death and destruction are deducted from expenditure on recovery and repair. And even without such accounting anomalies, the growth of GDP may not benefit everyone. If we care about social (in) justice and social cohesion, we are bound to ask: who benefits? where do they live? and what do we owe future generations?

Resolving the growth dilemma

Growth can be beneficial if it helps to eradicate poverty and enables people to live longer, healthier and happier lives. And the pursuit of growth may yield scientific advances that not only serve these ends, but also provide us with a better understanding of the world we live in. But growth comes at a price, and the more we become aware of this, the more conflicted we feel. We still want the benefits growth can bring, but not the afflictions we have experienced over the past forty years: the destruction of the natural environment, the devastation of local cultures and communities, the emergence of vast inequalities of income and wealth, and the development of technologies whose impact on our lives we may not be able to control. The promise of growth and the price we pay pull us in opposite directions. How are we to resolve this dilemma?

Susskind considers and rejects two ideas which have found favour in progressive circles: the replacement of GDP by a more comprehensive measure that reflects the non-market values we hold; and the replacement of growth by 'degrowth' as the lodestar of public policy. The search for a single, all-embracing measure of value is misconceived. We value different kinds of things in different ways and for different reasons. We cherish heirlooms, buy things we need or want, love our partners and children, treat strangers with respect, are kind to animals, appreciate sunsets, approve of government policies, and so on. The notion that there is some single, good-constituting property that all these valuations share - as originally proposed by Plato in his theory of ideal forms - is mistaken. Our values are plural and incommensurable. When they come into conflict, no ultimate moral metric can show us what to do: we just have to puzzle and argue it out.

Instead of trying to make GDP do more work, we should make it do less by limiting it to the measurement of market production. Of course, a radically truncated GDP - we might call it GMP - captures only part of what we, as citizens, care about. It would, therefore, need to sit alongside a small set of independent indicators, each reflecting something else we regard as valuable and important: the state of the environment, the scale of social inequality, the health of local communities, the condition of the labour market, the strength of the public finances, and the vibrancy of political life. This 'dashboard' approach is not going to settle any arguments, but it does identify the different facets of our common life that need to be taken into account in public decision-making.

Rethinking economic growth

Advocates of degrowth are mainly concerned with the environment. For them, our addiction to growth and the powerful interests that feed it explain what is wrong with the world, while 'degrowth' sums up what must be done to save it. This view rightly stresses the costs of growth, but its adherents refuse to envisage the possibility that a different *form* of growth might avoid such costs, and are reluctant to engage with anyone who believes that the benefits are *worth* the costs. Thus, plans to decouple growth from carbon emissions are dismissed as 'greenwash'. This dogmatic, all-or-nothing stance hardly *resolves* the growth dilemma: it simply denies that there is one. And as a practical proposition, what would 'degrowth' involve? The Oxford English Dictionary defines it as a 'reduction in economic activity' and as 'reducing the levels of production and consumption'. To most ears, this sounds like a recession - not a word calculated to commend the idea to those who are not already convinced of its merits, especially since the shrinkage it describes is intended to be permanent.

Fifty years ago, the American economist Arthur Okun published a book entitled *Equality and Efficiency: The Big Trade-Off*.[88] Borrowing this term, Susskind extends it to the conflicts between growth and the other things we value, from clean air and thriving localities to work-life balance and democratic governance. A trade-off between two goods is said to exist when we can have more of one only by giving up some of the other. Sometimes, an alleged trade-off turns out to be illusory: it is, for example, perfectly possible to achieve a better work-life balance without any loss of output provided shorter working hours are offset by higher productivity (output per hour worked). In other cases, the trade-off can be eased: thus, the falling cost of reducing CO emissions has improved the trade-off between growth and the climate. But few trade-offs between growth and other goals can be avoided altogether, and many of those that remain will be hard to weaken. In these cases, the trade-off has to be accepted and we must decide what we want: more growth or more of something else. As we have seen, this is, at root, a moral question.

In the second half of the twentieth century, the priority attached to growth by governments, businesses and voters alike effectively stifled debate about the moral issues at stake. And this pro-growth bias continues, thanks not least to the slowdown in growth over the past two decades. In its efforts to regenerate Britain through investment-led growth, the current Labour government appears to favour growth at almost *any* price. Countering the bias, as Susskind acknowledges, is going to require not just a better system of social accounting, but a revamp of our political institutions.

Since the late eighteenth century, we have settled for representative democracy because, in large nation-states, the ancient Athenian model of direct citizen participation in government (which in any case excluded women and enslaved people) is infeasible. Today, however, liberal democracy is under threat from illiberal, authoritarian forces, and public confidence in our political system is in decline. What is to be done? One potential answer is to set up local citizens' assemblies. Selected by lot, like juries, and provided with technical support and expert advice, these bodies would meet at regular intervals to consider the big issues we face. They would have no decision-making powers, but their deliberations might help to shape public opinion.

This would not, of course, be an answer to all the issues outlined in this review, but, the idea is at least worth a try. And what better or more pressing subject for deliberation than how to resolve the growth dilemma?

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Notes

1. Angus Maddison, *Contours of the World Economy, 1-2030 AD*, Oxford University Press 2007.

2. Marshall Sahlins, *Stone Age Economics*, Aldine, Chicago 1972; Marvin Harris, *Cannibals and Kings: The Origins of Cultures*, Fontana 1978.

3. J.S. Mill, *Principles of Political Economy*, Book IV, Chapter 6, Penguin 1970, pp111-117.

4. *Collected Writings of John Maynard Keynes*, Vol IX, *Essays in Persuasion*, Macmillan 1972, pp 321-332.

5. See Moses Abramovitz, 'The Search for the Sources of Growth: Areas of Ignorance, Old and New', *Journal of Economic History*, Vol 53 No 2, 1993, pp217-43.

6. J.K. Galbraith, *The Affluent Society*, Pelican 1962, p136; Ed Mishan, *The Costs of Economic Growth*, Pelican 1967, p9.

7. Ed Mishan, *The Costs of Economic Growth*, Pelican 1967, p9.

8. Arthur Okun, *Equality and Efficiency: The Big Trade-Off*, Brookings 1975.