

Is Economic Growth a Goal, or a Means?*

Gábor Neszveda

*Katherine Trebeck – Jeremy Williams:
The Economics of Arrival – Ideas of a Grown-Up Economy
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*A megérkezés gazdaságtana – Gondolatok egy felnőtt gazdaságról
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The evolution of economic growth is a central aspect of almost all serious social, public life and political questions. Most specifically, GDP growth has become an absolute indicator. But is GDP growth always a reliable indicator of social well-being, common interests, improvement to quality of life or improvement to the life or future of humanity? The book by Trebeck and Williams “The Economics of Arrival – Ideas of a Grown-Up Economy” revolves around these questions: At first sight, many might say that GDP growth cannot always grasp these values exactly, and yet this question is not quite as simple as that. Sometimes it grasps them well, and sometimes many people think there simply is no better approach. Therefore, the book also proposes some constructive alternatives, rather than just providing a critique of prevailing approaches.

Economic growth as a goal gives rise to several problems, from the overexploitation of nature to social injustice. The topic of climate change is unavoidable today, and the biggest obstacle in the fight waged against it is that it would harm GDP growth. While the developed world is living in better prosperity than ever before, and it provides people with outstanding living conditions even on a historic scale, people are not willing to relinquish even some economic growth to ensure this well-being in the long term. They would rather risk the good chance of losing everything. Similarly, it is rather intriguing that while the wealth of the developed world would be more than enough for everybody, many people still live in deep poverty even in the most developed countries of the world. These two examples alone presented

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*Gábor Neszveda is an Assistant Professor at the Institute of MNB at the Corvinus University of Budapest.
Email: gabor.neszveda@uni-corvinus.hu*

by the authors shed light on all the issues brought up by economic growth being the goal rather than the means.

Additionally, empirical studies have found that growth in financial wealth often does not lead to a better quality of life, which gives rise to further questions. The work of Nobel Prize Laureate Kahneman et al unequivocally proves that an increase in income over a certain amount (USD 75,000 in the USA in 2010) does not make people happier². This raises the question of why we are still trying to grow beyond this level on the basis of income and economic wealth. The authors also ask whether it might be better to aim for as many people as possible to reach this level of income, rather than for increasing the average. How far should we go in setting economic growth as a goal when it does not even guarantee a happier life to most people, and incurs huge societal costs in other areas.

Economic growth has today become a strong narrative to the extent that it is unquestionable for many. The authors, however, rightfully warn that this often blocks any constructive dialogue. Chapters four and five of the book show the spectacular contradictions brought about by the social establishment that considers economic growth as the primary objective. If the economy is to grow further, we need to consume more. However, the goods necessary for a higher level of consumption can only be achieved with more work, which will not leave enough time for us to do whatever makes us happy. This creates a vicious circle. True, we consume more, but our lives are not necessarily any better or happier. Many estimates reveal that large parts of developed economies are engaged in producing goods without any natural demand for them. This triggers an important and long-standing philosophical question: what demands should actually be satisfied, and what demands derail the economy. Although the answer is not easy, according to Plato, the ancient philosopher, there are two types of demand, natural and unnatural. He says a natural demand can be satisfied, but an unnatural demand can never be fully satisfied. For example, if somebody is hungry, they will reach a point when they no longer desire food. On the contrary, demand for money is unnatural, as man will desire more and more money, which makes this demand insatiable. If we think about how many demands are natural and how many are unnatural in our personal life, we will get a surprising answer. Surveys show that people wish for a bigger living space, a better car and a higher salary. These are all demands that are unnatural according to Platonian philosophy, because they can never be properly satisfied. In the United States for instance, per capita income and living area have multiplied in recent decades, but society has not become happier. Conversely, hunger has not been eliminated to the same extent.

² Kahneman, D. – Deaton, A. (2010): *High income improves evaluation of life but not emotional well-being*. Proceedings of the National Academy of Sciences, 107(38), 16489–16493. <https://doi.org/10.1073/pnas.1011492107>

One strength of the book is that it not only lists the problems, but it also formulates several proposals for discussion. For instance, accomplishment may be a new goal instead of economic growth – as suggested by the book. The word homemaking is often used for this, which implies that improving our direct living conditions is a more worthy goal than overall economic growth.

To create a new social attitude, and to put economic growth in the right place, enormous changes are necessary at various levels of our society and economy. This is what the last few chapters of the book offer a specific proposal for, urging for the fastest possible changes even if they are small individual steps. The institutional, political and public life systems created should prevent problems rather than react to them. But at least they should not generate problems, as they do in our current economy. The book offers the example of the United Kingdom, where according to estimates the social cost of the impacts of “negative consumption”, mainly in the area of health care, amounted to GBP 184 billion in 2015 (more than HUF 70,000 billion). This means that we are consuming many products which we do not have real demand for. This consumption, however, leads to several societal problems through obesity, dementia, diabetes or even mental diseases.

Finally, the authors break down the change path into the specific steps to be taken by different social players. However, they admit that this path is long, and it is unforeseeable when we will finally set out on the journey, if indeed we do. But the closing idea of the book may motivate all readers to take the first step on this path to change: “the future is not about expansion, but about improvement”.