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Growth Without Progress

John B. Cobb Jr.

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I. INTRODUCTION

The negative effects of free trade are readily apparent. No one doubts that free trade disrupts existing patterns of employment, creating hardship for those who lose their jobs. No one can realistically question that in the United States in recent years trade has taken away more well-paying positions than it has replaced at that pay level. The vaunted growth in the service sector consists, in large part, of jobs that are at or near minimum wage; and real wages in general have been declining for some time. No one disputes the fact that it becomes more difficult for a nation involved in free trade to maintain environmental and workplace standards higher than other nations within the market. Indeed, no one denies that, in general, many decisions formerly made by nations must be shifted to an international agency of some sort; and most agree that the standards maintained by that agency will be lower than those previously implemented in some of the countries involved.

What, then, are the gains from free trade that, in the view of its proponents, make the sacrifices worthwhile? Two types of advantage are claimed. The first is political and humanitarian. Free trade is thought to reduce the danger of war. It overcomes the excessive nationalism that has done so much harm in Western history. It brings diverse people closer together, so that ancient misunderstandings and suspicions are overcome. Free trade encourages the investment of capital from the wealthy countries in the poorer ones, and some believe that this will eventually reduce the drastic inequalities of the present global situation. They argue that it offers the one realistic hope for bringing many Third World countries out of poverty. It in-

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creases interdependence, and it can thereby move us toward the "One World" for which many idealists long.

The second type of advantage claimed by proponents of free trade is economic. Indeed, it is the economic gains expected from free trade that are the chief motivation of those who urge it as universal policy. The consumer finds a great variety of goods available at cheaper prices, because they can flow unimpeded from other countries, including those where production costs are lower. The financier can invest capital where it is most profitable, and that means where it is most productive. The result is that total production increases. It is argued that the increase of total production means that there are more goods for all, in short, that people in general are better off. The usual measure for this, on a national basis, has been per capita Gross National Product ("GNP"). Although some economists prefer to use Net National Product, and although there is now an appropriate shift to Gross Domestic Product as a better measure of economic health, I shall continue to speak in terms of the more familiar GNP. For present purposes, the difference made by shifting to one of the other accounts would be minor.

II. The North American Free Trade Agreement ("NAFTA")

Before discussing the advantages and disadvantages of free trade at this very general level, I will turn to the proposed agreement with Mexico and the way in which it would probably work out. Actually, we need not speculate much. Since the mid-1980s, tariffs on goods moving between the United States and Mexico have been greatly reduced. The remaining barriers are not very important. The proposed agreement, NAFTA, would complete the process of opening the Mexican market to foreign investment and goods, but it would primarily function to insure that the existing openness would not be easily removed by future administrations of the countries involved. This would give greater assurance to investors that they could plan on the basis of the relative permanence of the existing situation.

This assurance that trade would remain free would certainly lead to continuing and to accelerating existing trends. There would be increased capital investment by the United States in Mexico. Much of this would be for the purpose of producing goods to be exported back into the United States, as in the case of the existing *maquiladoras.* These have already grown to the point of employing half a million

Mexican workers; so we are not left to guess what is in view. Goods produced with United States capital and Mexican labor would be competitive in the international market, so Mexico would become the locus of production for many goods for export outside the free-trade zone. Some Mexican investors would profit greatly from these developments. Others would be wiped out in the competition with United States capital.

There would also be more investment by United States agribusiness. To make that possible the Mexican government has set aside the laws that forbade the selling of peasant land. Since this land has not been as degraded as most agricultural land in the United States, and since agricultural labor will be cheap, industrial-type agricultural production in Mexico will, no doubt, compete successfully with that in the United States.

What will happen in the United States? Labor-intensive industry will continue to move to Mexico, since plants paying United States wages will not be able to compete. Plants that do not move will gain further wage concessions from their employees. The pool of labor will increase in relation to jobs paying a living wage, and this will exert further downward pressure on wages. This was acknowledged with respect to "unskilled labor" by the United States International Trade Commission ("ITC") in its February 1991 report to Congress. Since what is called "unskilled labor" constitutes three-fourths of the workforce, the prospect of continuing the decline in income for this group is not a minor consideration.

For a short time, United States agricultural products will expand their markets in Mexico. This influx will continue to weaken the peasant economy there. But as agribusiness moves its production more and more to Mexico, the flow of products will be reversed. The difficulties of farmers in the United States will increase.

On the other hand, those in the United States whose income is derived from capital will gain, since Mexico will provide many profitable investment opportunities. The demand of the affluent for services will continue to provide jobs in that sector of the economy, but with a large pool of available labor, wages will be low. A few businesses in the United States will profit from freer entrance to the Mexican market, but because that market is relatively small, this is not likely to be as significant as some have asserted. The projection of the ITC is that the increase in exports to Mexico will amount to only one-sixth of one per cent of the Gross Domestic Product. As the businesses that can continue to operate profitably in the United States will be those where labor is a small part of total costs, the number of jobs they provide will not be large.

I noted that there are two types of arguments for free trade. The first is political and humanitarian. If we examine these in light of the probable consequences of free trade with Mexico, the conclusions are disappointing. There may be improved understanding among some capitalists. But campesinos forced off their land, even if employed by agribusiness, are unlikely to have an improved appreciation of the United States. The attitudes of the workers in the *maquiladoras* do not bode well either for the effects of their increasing their number.

One reason for the lack of improved feelings on the part of Mexican workers is that their wages are extremely poor. From 1981 to 1990 the minimum wage in Mexico fell from $1.53 per hour to $.59 per hour. Trade and the United States capital investments are not entirely at fault, but the policies that led to this wage decrease were connected with Mexico's financial relations to the outside world. We cannot expect Mexicans who are struggling to survive on these wages to have much appreciation of the nation that has played the largest role in forcing structural adjustments on Mexican society. Similarly, United States workers who lose their jobs or accept reduced wages because of increased competition with Mexican workers are unlikely to feel positively toward their Mexican competitors. In light of what is actually happening and what is most likely to increase as a result of NAFTA, the political and humanitarian arguments for free trade, at least in regard to relations with Mexico, are weak.

Let us consider the second type of argument for free trade, the economic one. Proponents of free trade argue that increased capital flowing into Mexico will raise wages and narrow the gap between the Mexican and the United States economies. Sidney Weintraub, a supporter of free trade with Mexico, hopes that the wages of Mexican workers will improve by 5% per year for twenty to thirty years. But starting at $.59 an hour, it would take nearly twenty years of such growth for the minimum wage to return to the unimpressive height from which it began falling in 1981.

Can we be more optimistic than Weintraub about the impact of free trade on Mexican workers? As long as the labor pool vastly outnumbers jobs, we cannot. United States capital, attracted to Mexico by cheap labor, will not intentionally adopt policies that raise the cost of labor. Many of the capital investments will increase the pool of labor available for manufacturing by introducing less labor-intensive forms of agriculture and retailing. In any case, the Mexican labor pool increases rapidly from population growth. Should wages rise much despite all of this, the free trade zone will be expanded to include areas where wages are still lower. Therefore, the prospects for Mexican workers are bleak.

III. Theoretical Arguments for Free Trade

The more credible arguments for enlarging the market seem to be economic ones at a general and theoretical level. These deserve consideration independent of extrapolation of the probable effects of a particular extension of market boundaries, such as the case of Mexico. There are two main arguments. First, free trade benefits consumers; and, second, greater economic growth can be expected when the size of the market is increased.

There can be little doubt that the variety of goods available will increase in both countries when free trade policies are securely in place. Additionally, prices will drop. Hence, from the point of view of the consumer, free trade is a gain. However, this argument by itself is not decisive. Unless people earn money, they cannot benefit from this wealth of available goods, even if they are relatively cheap. If the real wage continues its downward trend, the majority of consumers will be less able to buy. The clearer economic argument for free trade is the second, namely, that it increases per capita Gross National Product or average consumption of goods and services.

By focusing on such overall considerations, we avoid the question of what happens to particular groups within society and consider the average results instead. Most institutions devoted to advancing the economic well-being of individual countries or of the world as a whole adopt this approach. They seek to identify those policies that will result in economic growth understood in this way. They assume that when such growth occurs, whatever hardships particular sectors of society may suffer, the people as a whole are better off.

Most of the other arguments for free trade are more tailored for popular consumption. The conviction that free trade leads to more rapid economic growth is the fundamental argument that has led thoughtful, public-spirited citizens to support it. Of course, both supporters and opponents of free trade include among their number persons with narrower interests, but in a symposium of this sort we are seeking to understand the arguments of those who genuinely care for the future well-being of the people of both the countries involved.

IV. Measuring Growth

If I am correct that the quest for economic growth is of primary importance in shaping the policies of our nation and most other nations, as well as those of international agencies, then the exact meaning of "economic growth" is very important. Growth *of what* is being sought?

The answer is that what is sought is primarily growth of market activity. This is what GNP chiefly measures, and policies directed to the increase of GNP consistently focus on increasing this activity. It is assumed that people become economically better off as market activity increases. Since so much in practice follows from this assumption, I propose that we examine it more closely.

No economist supposes that per capita GNP directly measures economic welfare or well-being. It is obvious that it includes elements that do not reflect well-being. For example, as costs for military preparedness rise, or even the costs of actually fighting a war, the lot of citizens does not improve in economic terms. Similarly, as crime increases, the costs of fighting it rise. But although that causes the GNP to grow, the economic welfare of the people is not improved. The GNP also includes other "defensive expenditures," that is, costs that are made necessary by the productive economy but do not add to the product. Furthermore, economists know that economic activity outside the market contributes to economic well-being.

Therefore, although per capita GNP is often quoted as if it were a measure of economic well-being, this is not the position of serious thinkers who defend the use of GNP figures to guide policy. They argue that the correlation between growth of per capita GNP and improvement of economic welfare is sufficient so that policies leading to that growth will improve economic well-being. If so, then the recognition that GNP is not a direct measure of economic welfare is of little practical importance. If the correlation between growth of GNP and improvement of economic welfare is low, on the other hand, then it is urgent that the true nature of economic well-being be clarified, so that policies can be directed to improving the economic conditions of real people rather than to a misleading surrogate.

Challenging the hegemony of GNP in shaping policies directed to economic improvement is not new. Objections have been raised repeatedly, albeit in rather narrow circles. Most economists have not taken these objections seriously, confident that growth in market activity will enable consumers to obtain more of what they want. However, criticism, often by outsiders, has led economists to produce some scholarly work.

V. Nordhaus's and Tobin's Measure of Economic Welfare

William Nordhaus and James Tobin have done the most important research in this area. They developed a Measure of Economic Welfare ("MEW") and plotted it for the United States from 1929-1965. The 1972 essay in which they published their results is entitled, *Is Growth Obsolete?* This question is a dramatic statement of our question. Are improvements in economic welfare so connected to increases in GNP that, despite the differences between economic welfare and market activity, it is appropriate to continue to use GNP as a way of measuring economic success? Nordhaus and Tobin concluded that growth is *not* obsolete, that is, that the correlation of growth of per capita GNP and improvement of economic well-being is sufficiently high that their differences need not affect economic policies.

They formulated their conclusion as follows: "Although the numbers presented here are very tentative, they do suggest the following observations. First, MEW is quite different from conventional output measures. Some consumption items omitted from GNP are of substantial quantitative importance. Second, our preferred variant of per capita MEW has been growing more slowly than per capita NNP .... Yet MEW has been growing. The progress indicated by conventional national accounts is not just a myth that evaporates when a welfare-oriented measure is substituted."[1]

Sufficiently satisfied with their results, they dropped the topic, and neither they nor anyone else continued to plot the MEW for the years after 1965. Yet when their results are examined more carefully, they would seem, at the very least, to call for close monitoring of the economy with the distinction between improving economic welfare and growth of GNP in mind. For example, they show that over the entire period they studied, 1929-1965, welfare improvement was two-thirds as rapid as growth. Based on this overall, relatively high, cor-

1. William Nordhaus & James Tobin, *Is Growth Obsolete?*, *in* Economic Growth (1972).

relation they concluded that the continued pursuit of growth is appropriate without direct regard to questions of economic well-being.

On the other hand, if we attend to the last eighteen years for which they offer figures, surely the most important period for extrapolating into the future, then we find that economic well-being improved only *one-sixth* as rapidly as per capita GNP grew! This suggests that economic growth at this stage of United States history may be an inefficient way of improving economic welfare. It certainly illustrates that the usefulness of the GNP as an indication of economic welfare in the United States has declined markedly!

VI. THE CLAREMONT WORK

When a group of us in Claremont decided to reopen the question, our first thought was to bring the work of Nordhaus and Tobin up to date. We suspected that the decline in correlation of improvement in economic welfare and growth in market activity had continued, and we thought that using a widely recognized measure, developed by respected economists, would give some authority to the results. We ended up developing a new index, but we did follow the pattern of their index in many respects.

One important contribution of their work was to recognize that true economic welfare is sustainable welfare. This is readily asserted with respect to individuals. When we judge how well-off economically a family is, we do not ask only how much it has consumed during a year. We also want to know how its assets at the end of the year compare with those at the beginning. If a family has maintained a high level of consumption by using not only its income but also its capital, we would judge that it is not well-off. Its consumption level is not sustainable.

For a nation to have a sustainable economy, some of its income must be invested in maintaining its productive capacities and the infrastructure that supports the economy. Since population is growing, there must also be expansion of the productive capacities to insure that the next generation has the same standard of living. Nordhaus and Tobin did impressive and rigorous work in calculations of this sort. We have taken this notion of sustainability as central in our calculations.

However, we soon discovered that we could not simply bring their tables up to date. Some of the statistics they used are not available for the later period. Furthermore, we decided that the assumptions they made were too different from ours for this approach to work. For example, they dismissed environmental considerations, whereas in the two decades since they wrote, the importance of the natural environment has been widely recognized. If we follow them in their concern for sustainability, then we *must* give serious consideration both to depletion of natural capital and to large-scale pollution.

Even though many economists today recognize that attention should be given to these matters, relatively little work has yet been done on how to calculate them, and no consensus was available to us. Since our results depend on decisions of this sort, and since I want to provide you with some basis for judging our work, I will give you an example here of our procedure. I will use, for this purpose, depletion of nonrenewable natural capital.

The most important nonrenewable natural capital that is being used up is energy. We have limited our calculations to this, and we have used oil as the most important form of nonrenewable energy, treating other forms in terms of their equivalence in oil. The question, then, is how to place a dollar value on the reduction of the oil stock. We have conceptualized this, at the suggestion of Herman Daly, in terms of the amount of rent from resource production that should be reinvested in a process that would create a perpetual stream of output of a renewable substitute. We have taken gasohol, produced from sugar cane, as such a substitute.

Of course, the actual calculation requires many more assumptions. What will be the cost of producing energy from organic materials as the demand for such energy escalates and requires more and more agricultural land? Today it costs $40 to $50 a barrel to produce ethanol from corn. How much more will it cost in future? We have estimated that the cost will increase by 3% per year.

Whereas our index gives extensive consideration to environmental matters, it omits the largest item in the MEW. Nordhaus and Tobin gave a great deal of attention to the value of leisure, whereas we decided to exclude this from our measures. Since most economists see the increase of leisure as an important economic gain, I will briefly explain our decision to omit it.

Economists treat work as something negative. One works only to obtain the wherewithal to buy goods and services. Hence, the less work the better. The question, then, is, what constitutes leisure? Is all the time we are not working, including the time we are asleep, leisure time? Are the unemployed enjoying leisure? Is the time we spend with our children leisure or work? When we retire, is all our time leisure? Is work always undesirable and leisure always good?

Let us suppose, contrary to fact, that it were possible to come up with a figure that represented the amount of desirable leisure and that we could measure its increase and decrease from year to year. We would then have the problem of putting a dollar value on an hour of leisure. Is the leisure of a person who earns $20 an hour of greater value than the leisure of one who earns $5? Does the value of leisure rise as wages rise and fall as wages fall?

Nordhaus and Tobin proposed three ways of evaluating leisure. The somewhat arbitrary choice among them has a great effect upon their results. One of their options would transform into a loss the small gain in welfare they found from 1947 to 1965. We decided that making so much of the result of our measure dependent on decisions in which we had so little confidence reduced the value of the index as a whole.

My confession of a bias at the outset opens all our decisions to reasonable suspicion. I acknowledged that our group doubted that growth of per capita GNP is always correlated with improved economic welfare. Indeed, we suspected that it could be shown statistically that the large increase in per capita GNP in the past generation in the United States has not been accompanied by a significant improvement in economic well-being. You may suspect, therefore, that we would decide what to include and what to exclude for the sake of making our point.

With regard at least to leisure, however, we did not do this. In Nordhaus's and Tobin's MEW, the inclusion of this item dramatically slowed improvement of economic welfare after World War II. Omitting leisure would have strengthened their case that growth is not obsolete. Our omission of leisure contributes markedly to the fact that for the period of overlap in our statistics, 1950 to 1965, we show more improvement in economic welfare than they.

Some of the difficulties of measuring leisure reoccur with respect to household services. Nevertheless, we have retained these. Their importance is obvious. If a woman stays home to keep house, take care of children, and provide food for the family, this is an extremely important contribution to economic well-being. There is consensus on this. Although it is hard to measure the number of hours spent on these productive activities, and there is difficulty deciding what dollar value to place on them, economists have given much more attention to this subject than to leisure. It would be too much to say that there is full consensus, but figures are available that are widely respected. We have used those provided by Robert Eisner.

We introduced two major considerations into our index that were not included in that of Nordhaus and Tobin in addition to environmental ones. One is change in net international position. The value of capital assets in the United States owned by outsiders is subtracted from the value of assets in other countries owned by Americans. It is our assumption that financing the purchase of goods for immediate consumption either by borrowing money or by selling our capital assets is not a sustainable practice.

The second additional consideration has to do with the distribution of income. It is our assumption that an increase of disposable income of $1000 adds more to the economic welfare of a family whose total income is $10,000 than to that of a family of equal size that takes in $100,000 a year. Hence we judge that an increase of average income in the poorest 20% of the population adds more to overall economic well-being than an increase on the part of the richest 20%.

I have listed these judgments so that you will have a realistic basis for evaluating the statistics which resulted. Even if you agree with our basic judgments, you might come to somewhat different conclusions as to just what values to assign to the various items. We agree that there is an element of arbitrariness in many of the quantifications we have used. But the *most* important questions in framing a measure of economic welfare have to do with what contributes to sustainable well-being. If you agree that environmental deterioration is important, that net international capital is a significant consideration, and that a nation is better off economically when the gap between the rich and the poor is narrowed, then our figures will be useful to you in evaluating how much correlation there is between changes in per capita GNP and economic welfare.

We named our measure of economic well-being the Index of Sustainable Economic Welfare, or the ISEW, for short. We have revised our calculations twice based on helpful criticism of our initial index, which was published as an Appendix in *For the Common Good*. I will quote figures from our most recent revision. The statistics are all in 1972 dollars. In 1951, per capita GNP in the United States was $3741; per capita ISEW was $2793. In 1988, per capita GNP was $7664; per capita ISEW was $3147.

If we take these figures and ask Nordhaus's and Tobin's question, "Is Growth Obsolete?", our answer could be the same as theirs. From 1951 to 1988 economic welfare has improved as Gross National Product has risen. But our answer could also be negative. While per capita GNP more than doubled, per capita ISEW grew one-eighth. Surely this must raise some question as to whether single-minded pursuit of economic growth is the best way to improve the economic situation!

I noted that Nordhaus and Tobin came to their conclusion that economic growth improves welfare by taking their statistics for the entire period of their study. I have done the same for the ISEW. I noted also that when one attended only to the latter part of the period that Nordhaus and Tobin studied, the correlation was greatly reduced. Our correlation for the whole period is even less than theirs for the later part of their study: about one-to-eight instead of one-to-six. If we look instead at the last ten years of our study, 1978 to 1988, we find that while per capita GNP rose from $6463 to $7644, per capita ISEW *fell* from $3480 to $3120. In short, while per capita GNP rose nearly 20%, per capita ISEW *fell* about 10%.

VII. The Meaning of the Index of Sustainable Economic Welfare

In order to appreciate the full force of these results, it is helpful to understand that the Index of Sustainable Economic Welfare accepts the most basic assumption underlying the work of Nordhaus and Tobin and all others who have devised measures of economic welfare. This assumption is that the more we consume, the better off we are economically. The largest figure in the ISEW is the same as the largest figure in the GNP, that is, personal consumption. Personal consumption throughout the period we have studied has been about two-thirds of GNP. The inclusion of the entirety of this item as the starting point of calculations means that one would expect there to be a high correlation between growth of GNP and increase of ISEW.

In reality, large expenditures on alcohol and tobacco and junk food, all included in personal consumption, do not always add to humanities' well-being. But the ISEW follows the economic convention of assuming that people know best what they want and that the satisfaction of those wants, whatever they may be, is the proper aim of economics.

Another criticism of economic measures of which the ISEW takes no account is that personal satisfaction is much more related to relative status in a community than to absolute income or wealth. Indeed, sociological studies have not found any evidence that people in affluent societies are happier than those in impoverished ones, or that happiness increases over time as people become more affluent. Even if we do not accept this general conclusion, we must acknowledge that many purchases are made in order to catch up with others or to get ahead of them. The satisfaction attached to acquiring these goods has to do with status in the community. But this is a zero-sum game. If one gets ahead, another falls behind. Hence, the size of total consumption overstates the amount of real economic welfare that consumption contributes to society.

I have tried to make clear that the ISEW figures are not exact factual measures of economic well-being. There are no such figures and never will be. The ISEW does, however, come much closer to indicating real economic welfare than does the GNP. Although one could argue that we are wrong in subtracting certain things or in using the values we do at various points, and so claim that economic welfare has in fact not declined in recent years, it would be equally possible to reintroduce leisure into our calculations and end up with figures indicating a more drastic decline. The evidence is strong that increasing the GNP in the way that we have does not improve the economic well-being of the people as a whole. Continuing single-minded efforts to increase GNP, when that increase is accompanied by a decline in sustainable economic welfare, does not make sense.

If adherents of the conventional approach believe that increasing GNP does consistently improve economic welfare, they are challenged to give some evidence in support of their belief. Unless and until they do so, economic growth alone cannot provide justification for policies that cause obvious economic dislocations and inflict suffering on considerable segments of society.

VIII. Alternatives to Growth

There are two other arguments against my conclusion that are worthy of serious consideration. The first is that even if there are some periods during which economic growth does not correlate with improved economic well-being, most of the time it does. The situation in Mexico, it can be argued, is likely to support such a correlation. Hence it remains important to adopt growth-oriented policies for the sake of Mexico, even if these result in further deterioration of economic well-being in the United States.

Unfortunately, I have no figures to offer for economic welfare in Mexico calculated in our way or in any other. Therefore, I am engaged in pure speculation. My own judgment is that, indeed, some increase in production is needed in Mexico for the sake of economic well-being. But production can be increased in differing ways. Increases that directly benefit the people involved can be distinguished from those that require massive dislocations and suffering. It is also possible to distinguish forms of growth that are environmentally benign from those that are destructive. Single-mindedly increasing market activity, for example, by expanding the geographical size of the market, will have many negative results that will go far to counterbalance any positive ones. Other approaches to development are preferable.

A second argument favoring continuation of present policies is that there is, in reality, no alternative. Even if continuing growth is accompanied by a decline in economic well-being, a cessation of growth would have much worse effects. It is pointed out that we are committed to an economic system that can survive only when it grows. Its collapse would have consequences too horrible to contemplate.

This argument is a powerful one and is accepted by almost all "realists." The idea of shifting to a different economic system, one that would meet human needs on a sustainable basis, is viewed as naive and utopian. This view is taken to justify the refusal to consider alternatives.

Our situation resembles that of a drug addict. The addict gets less and less satisfaction out of the drug. Other aspects of his life deteriorate more and more. But the prospects of not getting another fix are too horrible to contemplate. "Realistically" there is no alternative. To talk about quitting is naive and utopian.

Fortunately, the drug addict is surrounded by a society in which the majority are not addicted and can bring pressure on the addict to seek help. The suffering involved in breaking the habit is real, but there are successes, and these can encourage others. Unfortunately, in the case of the addiction to economic growth, even when it has become obviously negative in its effects on real people, there is no wider society of those not addicted to bring pressure on the addicts. Instead, the addicts continue to press one another into deeper addiction. There are no examples of countries that have successfully broken free, and there are no institutions available to help in the process.

I wish that those with technical expertise about economic matters would direct much of their energy to finding how the economy could serve sustainable human welfare. Unfortunately, their technical expertise is so bound up with commitment to growth that they are among those "realists" who insist that there are no options. A heavy responsibility, therefore, falls on others to work together to develop such options.

Some consensus is emerging about the alternative to orthodox economics. Instead of breaking down local communities in the interest of capital and labor mobility, the alternative would be to work for the economic health of local communities. Since local communities can have no sustainable economic well-being without considerable control over their own lives, this would require relative economic self-sufficiency in relatively small regions. In short, instead of concentrating economic power in the hands of a few transnational corporations that can profit from the union of United States capital and cheap Mexican labor, it would decentralize economic power, returning it closer to the people.

Obviously, it will not be easy to reverse course and move in this direction. Far from it. The extremely widespread conviction that such a change of direction is impossible makes this reversal still more difficult. But as it becomes more and more obvious that the present course works against the well-being of most of present and future humanity, there is bound to be increasing interest in an alternative. Eventually, and I hope soon, many specialists in economics will be willing to help define what will be involved in such a reversal and the kind of economy to which it will lead. Meanwhile we can celebrate and join forces with the few who are already helping.

The greatest obstacle to changing course is the threat to jobs. Although it is clear that the GNP does not measure economic welfare, the market level which it does measure gives some indication of the number of jobs available. Failure to expand market activity, without other basic changes, would increase unemployment.

The need to reflect on how full employment can be attained in smaller markets is an urgent one. Unfortunately, few economists are prepared to discuss it. For most of them, the solution to unemployment is to expand market activity, and no alternative is worth considering. Obviously, throughout history there have been many small markets in which there has been a need for the work of all able-bodied persons. But the academic discipline of economics does not deal historically with such alternatives. It is committed to an industrial market system that solves its problems by growth based on increasing the productivity of labor. As long as no other way of providing more jobs is conceived, workers, already hard-pressed by the results of expanding the market, will be terrified by the prospects of contracting it.

One approach to fresh thinking on these matters would be to shift from conserving labor to conserving energy. Much of the increase of labor productivity has been based on substituting fossil-fuel energy for human work. Now that energy is becoming the factor that is scarce and labor is plentiful, it would make more sense to replace fossil-fuels with labor, especially at those points where that could also restore interest and dignity to work. This is no simple matter. To find our way through such a transition requires the redirection of effort on the part of that community best qualified to think about economic matters.

The first step in redirecting the economy toward sustainable economic well-being and away from damaging forms of growth is to stop taking new steps directed toward destructive growth. So far as I have been able to discern, the proposed agreement with Mexico is geared to that form of growth that does not improve the well-being of people. The economic order that will be furthered by that agreement will only make the redirection of the economy to sustainable welfare more difficult. It will concentrate both economic and political power in the hands of those who now control investments. And once governments have surrendered power to agencies whose function is to encourage trade, the vast majority of people in all the countries involved will find it ever more difficult to influence the policies that shape their lives.

It is argued that if the United States rejects this agreement, whatever the reason, this rejection would poison relations with Mexico. There is danger that this would occur. Rejection would certainly embitter the present Mexican administration. In any case, over the years, the United States has done so much to deserve Mexican suspicion, that it is doubtful that many Mexicans would respect the motives of those who oppose the proposed expansion and permanent institutionalization of free trade. But this is no justification for taking action that is against the interests of most Mexicans as well as most persons in the United States.

Discussion of economic relations with Mexico is a good context for reflecting on what the United States *can* do that would be of real benefit to the people of Mexico. The most useful step would be the cancellation of external Mexican debts. This would help to release Mexico from the tutelage of international development organizations and the pressure to impoverish its own people. It would allow Mexico to devote its energies to meeting the present needs of its citizens. In addition, although most so-called development aid in the past has been at best ambiguous in its effects, there are forms of aid that the United States could offer to rural and urban communities in Mexico that would be genuinely supportive.

The consequences of free trade have been felt with even greater force in Canada than in the United States. They have been so obviously disastrous to Canadian industry, and especially to Canadian industrial labor, that a new Canadian government may end this arrangement. If so, the United States might recognize the importance of developing an economic policy designed to improve the economic well-being of its own people rather than to support its transnational corporations in their global competition with those of other great economic blocs. This could be the beginning of the reversal so urgently needed.