

**POLICIES FOR GREEN GROWTH VERSUS POLICIES FOR NO GROWTH:
A Matter of Timing**

Richard G. Lipsey

Emeritus Professor of Economics

Simon Fraser University /Harbour Centre

rlipsey@sfu.ca

<http://www.sfu.ca/~rlipsey>

1.

forthcoming in in *The Handbook of Green Growth*, Roger Foquet (ed.) Edward Elgar. (An expanded version of a Simon Fraser University, Department of Economics Working Paper.)

ABSTRACT

Advocates of green-growth policies and those who advocate policies to stop growth both accept that the world faces serious environmental problems. They disagree on and debate about appropriate remedies. Green-growth advocates argue that it is possible to create a green economy compatible with sustained growth. The no-growth advocates argue that the whole growth process must be stopped if the planet is to be saved from catastrophe. This short paper argues that choosing the optimal policy for dealing with these serious problems does not require deciding which group is right. Instead it is argued that the optimal policy is to act as if the green-growth advocates are right and only if they are proved wrong by the failure of their policies to do the job, should no-growth policies be attempted.

JEL Classification: Q28, Q38 and Q48

Key Words: climate change, green growth, no-growth policies, environmental policies, carbon pricing.

GREEN GROWTH VERSUS NO GROWTH: A Matter of Timing¹

Those who debate about policies for dealing with climate change fall into two groups: those who advocate green growth² and those who advocate stopping growth³. I call them the green-growth and the no-growth groups. Both agree that the world faces serious environmental problems that, in the worst case scenario, threaten disaster. Where they differ, and debate heatedly with each other, is in methods they advocate for dealings with these problems. The green-growth group argues that suitable green policies, such as carbon pricing, plus green technological change, can produce a green economy compatible with sustained growth. The no-growth group argues that green policies, although desirable, are insufficient to do the job, so that the whole growth process must be significantly slowed or even stopped if the planet is to be saved from severe, even catastrophic, consequences. It seems improbable that the members of either one of these groups will come to accept in the foreseeable future that the members of the other group are correct in their diagnosis.

In this short paper I argue that there is an approach to the debate that is different from trying to decide which group is right in their assessment of the remedies needed to deal with our environmental problems. I argue that this approach provides a strong argument for accepting a green-growth position as a working hypothesis without trying to prove that the no-growth group is wrong in their contentions about what policies are needed. The argument proceeds by first laying out and comparing some characteristics of the positions held by the two groups and then arguing that primacy of procedure obviously goes to green growth. Only if their measures fail to do the whole job should no-growth policies to be pursued. The reverse of tackling no growth first or simultaneously with green growth offers much inferior alternative timings.

The green-growth position

Tools: The tools to achieve the green-growth objective are well specified. They include carbon pricing and/or cap and trade, the subsidization and other encouragement of non-fossil, renewable energy sources such as solar, hydrogen, wind, and geothermal. The alteration of the tax system to eliminate subsidies and raise taxes on polluting activities and reduce or eliminate taxes and increase subsidies on green activities. Over the last 150 years a stream of new, greener technologies have been introduced and there is no reason to believe that this will not continue as a result of normal market incentives, although the pace should be accelerated by policy initiatives that encourage green R&D.

Implementation: Most green-growth measures can be implemented without raising new technical problems since most have already been tried in one jurisdiction or another, allowing teething problems to be identified and dealt with. The European experience with cap and trade schemes has been instructive and several jurisdictions have shown that carbon taxes can be introduced without severe, or even measurable, adverse economic consequences.

¹ Surprisingly the JEL classification for articles has no reference for environmental policies, climate change, global warming or other similar classifications.

² See for example *International Report on Climate Change*, (2014). There are many groups advocating green-growth one of which is the recently formed Canadian Ecofiscal Commission.

³ See for example Daly (1996), Jackson (2011) and Victor (2008)

Efficacy: There is strong evidence from their existing applications that these green measure do work and, if applied with sufficient strength, can achieve almost any desired pollution-reducing result.

Sufficiency: The green-growth position is that their tools are sufficient to do the job in a world of positive economic growth and hence positive technological advance.

Side effects: Pessimists argue that green-growth measures would have a significant retarding effect on economic growth. (Of course this should appeal to the no-growth advocates.) The majority opinion, however, is that the retarding effects would be small and could even be positive because of such side effects as improved health due to reduced pollution and the beneficial effects of new technologies invented and innovated in response to new green-growth incentives.⁴

Political problems: The main problems with pursuing a green agenda lie with the political system. Not everyone is convinced that there is a problem and many in government, including many in the US federal government, are in the same denial position. They do not, therefore, accept that anything serious needs to be done. Strong lobbying from such industries as coal also exert significant political pressure to ignore the problem. Even with the recent G7 commitment to a carbon-free economy by 2100, there are doubts about how much various governments will do to meet this target. More is required than mere window dressing, half-way and last-minute measures. For example, to be effective and least costly, many of the required measures need to be put in place sooner rather than later. If new factories, new power generating plants and new housing are all soon to be constructed to high environmental standards depreciation and obsolescence of existing facilities will do the job without any need for the disruptions that would follow from a last minute need to remove a large number of fully operative facilities.

The No-growth position

Tools: An authoritarian government can clearly stop growth. For example, it could confiscate without compensation all foreign assets and so dry up any new foreign investment and then make domestic property rights insecure by confiscating much local industry and giving it to cronies. Less crass dictatorial methods might also stop growth and it clear that this can be, and indeed has been, done by several such governments. But it is not obvious how to stop growth within the confines of a democratic, market-oriented society. I know of no one who has presented a detailed program for achieving no growth in the context of the societies that we know. Peter Victor (2008) talks about limiting the use of strategic resources but does not specify in any detail how this is to be done. Yet the devil is in the implementation details of such ambitious programs. We have seen how the laudable objectives of socialism and communism produced counterproductive results when attempts were made to put them into practice through specified policies and detailed plans. Until such details are fully articulated, the critics of the no-growth group are justified in being sceptical that the objective can actually be achieved with measures that are acceptable in democratic societies.

Implementation: Until we know precisely what measures are to be used to produce no growth, we cannot assess how easy it will be to implement them. There are, for example,

⁴ The Canadian Ecofiscal Commission's web site lists a number relevant publications including a report on a general equilibrium model that finds only modest undesirable side effects from carbon pricing.

international treaties that govern trade and investment flows that might severely inhibit some of the measures needed to stop growth. Also experience with planned economies shows that major command interferences, such as dictating the rate of resource use, are easy neither to implement nor to enforce. Enforcement requires, for example, eliminating 'black market' attempts to avoid the controls.

Efficacy: Until we know precisely what measures will be used to produce no growth, we cannot know how effective the various methods will be. Certainly there would be a process of learning by trial and error at least as serious as those that accompanied the introduction of the various green-growth measures, such as cap and trade.

Sufficiency: and here is the rub! No-growth advocates agree that even if all growth were to halt tomorrow, the full paraphernalia of green-growth measures would still need to be instituted. Our present world is replete with forces that threaten the environment. So stopping growth fully now would still leave in place technologies and production practices that are highly polluting, including the emission of much greenhouse gas. So no growth would have to be followed, or accompanied by, a full set of green-growth measures.

Side effects: Until we know the precise set of interventions that are to produce no growth, we cannot be sure about side effects. But one such is clear. Technological change, most of which is conducted in pursuit of profits, is a root cause of economic growth. If there is to be no growth, there will be little technological change. Some might still be produced by non-profit means, but it would be, without doubt, at a much lower pace than now. Since technological change has in the past reduced both the amount of resources used, and the amount of pollution created, per unit of GDP produced, this beneficial source of greening of the economy will be curtailed if not fully removed. Another possible side effect is well known to macro policy makers. Policies that attempt to slow or stop the growth of GDP work with large errors and long lags and so can often overshoot causing major recessions. Policies to recover from a recession might be hard to design and implement in the context of a no-growth regime.

Political problems; If green-growth measures face difficult political problems, no-growth measures would face many more. People in developing countries would resist being held with living standards well below those of the advanced countries, and those in advanced countries who have their livelihoods linked to technological change and other growth-creating activities would be active resisters. All we need to note here, however, is that the political resistance that no-growth measures face would be very much more than the resistance that green-growth measures face today.

Summary

The discussion is summarised in the following table.

	Green Growth	No Growth
Tools	Exist and well tried.	Unclear what these would be.
Implementation	Feasible and much existing experience already exists.	Unclear how easy implementation would be until measures are fully specified. But the experience of planned economies shows that it would not be easy to implement the major interventions that would be needed to stop or even seriously retard growth,
Efficacy	Shown to be effective by much existing experience.	Experience of planned economies shows that assuring the efficacy of such measures in the face of potential evasions through such institutions as black markets would not to be easy.
Sufficiency	Green-growth advocates argue that the measures they advocate would be sufficient	Clearly stopping growth is not sufficient to solve the problems. Thus the full range of green-growth measures would also be needed.
Side Effects	These are debated, but the majority opinion among those who have studied the issue is that the loss of GDP would be small or might possibly turn into a gain.	Future loss of new technologies that are green as a by-product. Might also be a temporary recession that would be difficult to combat given the no-growth policies in existence.
Political problems	Very large	Much larger than with green-growth measures.
Summary	Feasible with known and proven tools but with major political resistance resistance that has been diminishing as experience accumulates both of the bad results of climate change and the good results of the green policies that have been instituted.	Tools not fully specified and unclear if they would be feasible to implement and enforce in a democratic, market-oriented society, nor how effective they would be. Implementation would face much more political resistance than green policies.

Three possible sequences of action can now be distinguished.

- Plan 1: push the green agenda and if, when implemented, it does not do the full job, seek to curtail or stop growth.
- Plan 2: Push the green agenda and an agenda to stop growth simultaneously.
- Plan 3: push to stop growth first then push the green agenda.

There seems to be no reason to favour Plan 3. This takes on the politically and technologically harder job first and only if that succeeds, does it take on the politically and technologically easier job.

Plan 2 takes on simultaneously the green measures that are politically and technologically less difficult, as well as the stop-growth measures that are politically and technologically more difficult. If political resistance is insufficient to stop the green agenda on its own but risks being sufficient to stop the no-growth agenda on its own, then taking both on at the same time increases the risk of not achieving either. Also, if the measures designed to stop growth turn out to be unacceptable when put into practice, this might discredit some or all of the green measures. There is thus a strong argument for making what many believe to be an extremely or even impossibly difficult task, both technically and politically, the last rather than the first line of attack.

Plan 1 takes the politically easier, although still very difficult, task first then takes on the more even more politically difficult task second, and then only if the green-growth advocates are wrong in believing that their program is sufficient. Also there are no great technological problems to be solved for plan 1 since most of the technologies are already in use somewhere in the world although they will be further improved when they are more widely used. For example, the cost of solar panels has been greatly reduced since the Chinese started to use them in a big way. There is also less chance of a backlash during implementation because the measures are already known to be acceptable in practice by the general public (if not to some special-interest groups).

No one can show for certain who is right, the green-growth or the no-growth group. Indeed we will probably not know until well past the critical time at which, if not enough has been done in the meantime, major environmental degradation will become irreversible, caught up in strong positive feedback loops. But irrespective of who is right, there seems to be a very strong case for adopting Plan 1 over Plan 2 and no case at all for adopting Plan 3.

REFERENCES

Daly, Herman E., *Beyond Growth: the Economics of Sustainable Development*, Boston: Beacon Press, 1996.

Jackson, Tim, *Prosperity Without Growth*, New York and London: Routledge, 2011.

United Nations International Panel on Climate Change, *Fifth Annual Report on Climate Change*, U.N. 2014

Victor, Peter A., *Managing Without Growth: Slower by Design, Not Disaster*, Cheltenham: Edward Elgar, 2008.