la faible croissance au Quebec

La reprise qui a suivi la grande récession de 2008 est si lente que certains observateurs nous croient à l'aube d'une ère de faible croissance permanente. Or la question touche particulièrement le Québec, où elle croise celle du rôle de la province dans la fédération canadienne. Nous examinons ici cet enjeu, pour ensuite lancer le débat sur la viabilité de la décroissance comme alternative au modèle de croissance classique.

The sluggish recovery from the great recession of 2008 has left some observers asking if we have entered an era of permanent slow growth. That question carries particular implications for Quebec, where it converges with the issue of the province's place in the Canadian federation. Here we examine this topic, followed by a debate on whether "de-growth" is a viable alternative to the growth model.

GO SLOW ON DE-GROWTH

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A wiser path of economic growth, rather than de-growth, is more likely to see us out of our current troubles.

Une trajectoire de croissance économique bien pensée nous tirera plus sûrement d'embarras que tout appel à la décroissance.

Many environmentalists and social commentators argue that the world's citizens should resist the common appeal of economic growth and instead embrace the idea that we need to slow the pace of economic growth. Some even go so far as to argue for "de-growth": the adoption of policies specifically designed to shrink the aggregate level of production, income and consumption. For some who hold these ideas, it is obvious that the world economy is headed in a dangerous direction and that much slower growth is both necessary and desirable.

The case for slower economic growth is not as strong as many of its advocates believe. While their underlying concerns have some validity, it is not obvious that addressing these concerns requires a reduction in growth rates. Nor is it clear that we would want to accept the economic as well as social costs associated with policies designed to reduce growth rates.

Three central concerns form the basis of the argument in favour of slower growth: the potential limits to growth imposed by resource depletion, the problems of environmental degradation and the weak relationship between an individual's income and genuine well-being. A close look at these quite legitimate concerns, however, reveals that there is little need to turn away from growth as an important economic and social objective. Indeed, a healthily growing economy is probably best positioned to implement policies to address these concerns.

Further, even if we were to decide that a transition to a slower-growth economy were desirable, it is not clear how we would proceed. Most policies that would have this effect would be unacceptable to many because they infringe on individual freedoms. The most acceptable and realistic approach would likely be the slowest: a gradual change in our economic behaviour and choices, reflecting an evolution of our values and priorities.

The finiteness of the earth is obvious, and it follows that the resources on the earth are equally finite. Renewable resources such as flora, fauna and fresh water could be used, at least in principle, in a way that generated a stable flow of benefits for the indefinite future. But the same cannot be said for nonrenewable resources such as coal, oil and natural gas, and minerals. Since their natural production has taken hundreds of millions of years, each unit of resources used today means one fewer unit available for future generations, a key argument for slow-growth advocates.

In the 1970s, the Club of Rome published *The Limits to Growth*, which argued that the ongoing depletion of natural resources would soon drive up resource prices and place significant, absolute limits on the world's rate of economic growth. Forty-five years later, these predictions have not come to pass. The prices of some natural resources have increased but others have fallen, and most have shown the cyclical volatility — with no clear trend — that we now take to be standard. The growth rates in most developed countries did fall slightly during the 1970s, but at roughly the same time, some of the world's largest developing countries experienced sharp increases in their growth rates.

While the total stock of nonrenewable resources on the earth is fixed, the total *known* stock of such resources continues to grow. As existing reserves of nonrenewable resources have been gradually used, new supplies have been discovered. Without such new discoveries, the market prices would likely have risen continuously. But the ongoing discovery of new supplies of oil, coal, natural gas, uranium and other minerals means that the world's supply of these resources can — at least for many years to come — rise more or less in line with the growth of demand, replacing what would otherwise be an upward path of prices with a trendless path of considerable volatility.

At some point, however, the rate of discovery of new supplies will decline, and only harder-to-find and higher-cost supplies will remain to be discovered. As this point arrives, the ongoing increase in demand will result in the kinds of continual price increases predicted by the Club of Rome. These price increases will generate powerful incentives, for both the development of alternative resources and the invention of production methods requiring fewer resources.

The gloomy predictions made in the 1970s, like those heard today from the modern advocates of slower growth, suffer by underestimating the scope of technological improvements, including how such improvements can be influenced by rising resource prices. Advances in technology will allow economic growth to continue for longer than would have been possible with an unchanged state of technology. The long-term importance of gradual but ongoing technological improvements should not be underestimated.

None of this is meant to suggest that we should be complacent. The development of new technologies does not "just happen," and there is no guarantee that private markets will produce the necessary technological change at the precise time needed. A useful debate could centre on the appropriate role that governments can and should play in the process of research and knowledge creation.

A second concern is the possibility that private market transactions may lead to the depletion of *key* natural resources. Since the public typically owns all natural resources, governments (as our agents) have the responsibility to prevent their excessive exploitation. If we fail to protect some key natural resources, it will not be because we lacked the knowledge or ability to do so — only that we lacked the political will to make difficult decisions.

A more important problem associated with economic growth is the generation of pollution and the degradation of our natural environment. Any economic activity involving production and consumption inevitably creates environmental damage. It is simply not possible to have economic activity without some negative impact on the natural environment. Until the modern era, the earth's natural regenerative abilities could easily deal with man's environmental footprint. Today, however, that footprint is much larger and considerably more toxic, and it is posing a real threat to the earth's natural coping mechanisms. Today's advocates for slower economic growth often base their arguments on the imperative to prevent this ongoing environmental degradation.

Reducing the environmental damage associated with economic growth, however, is not the same as advocating for slower growth. There is nothing inconsistent about maintaining today's moderate rate of economic growth while simultaneously taking action to protect our environment. Most economists argue that an effective way to achieve both objectives is to implement policies that put a price on polluting activities. If government policies attached a clear and significant price to the emission of greenhouse gases and other air pollutants, or to the release of toxins into the water system, or even to the use of an extra bag for residential garbage, households and firms would be led to economize on scarce resources that they previously regarded as free and plentiful. In addition, the higher price associated with any specific polluting activity would encourage the development of alternative, nonpolluting production methods. Such "pricing of environmental externalities" could be an important driver for the development of cleaner technologies.

> There is nothing inconsistent about maintaining moderate economic growth while simultaneously protecting our environment.

Some will respond that while such environmental pricing might succeed in reducing the extent of pollution, it would almost certainly reduce the rate of economic growth. After all, the imposition of previously nonexistent "green taxes" would represent an increase in overall taxation, and this might be expected to reduce growth rates. This misses a key point about what is required to protect the environment. An important aspect of successful environmental protection is to change incentives faced by producers and consumers, and incentives are influenced more by relative after-tax prices than by the overall level of taxation. In other words, successfully protecting our environment may require a change in the form of our tax system, but it will not require a change in the overall level of taxation.

The introduction of environmental policies that place prices on polluting activities could therefore be accompanied by reductions in existing distortionary taxes on income, profits and employment. This is the central idea behind environmental fiscal reform, an idea that is gaining increasing acceptance among both fiscal and environmental experts. New green taxes may

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work to directly improve environmental outcomes, while the reductions in other taxes could work to stimulate innovation and economic growth. There is no basis in either theory or empirics for presuming that such a carefully designed reform in the tax system would necessarily result in a diminished rate of economic growth.

None of this is meant to imply that our environmental issues are not serious. Quite the contrary; damage to our natural environment is taking an increasing toll on both our physical and our economic health. The central point, however, is that the desire to protect our environment need not be associated with the desire to slow down or even reverse our existing economic growth. If we act sensibly — and soon — we can likely achieve the dual benefits of a cleaner environment and a more innovative economy. If we fail to act, we will eventually lose along both dimensions.

The past decade has seen an explosion in economic research aimed at uncovering the determinants of happiness or well-being. A central and recurring result found in this research is that the causal link between an individual's income and his or her well-being is much weaker than economists traditionally believed, and whatever link does exist disappears above fairly modest levels of income. In addition, changes in social and family status seem to have much larger impacts on well-being than significant changes in economic variables such as income and consumption. Today's slow-growth advocates see these research findings as clear evidence that reductions in current rates of economic growth can be consistent with maintaining (or even increasing) our overall levels of happiness.

Many of those already earning higher incomes find it easy to imagine that further increases in income may not contribute significantly to overall well-being. If you already have an annual income of $100,000 or above, would an extra $5,000 per year really make you happier? And if you have to work more hours in order to earn that extra income, you may well prefer to turn down the opportunity.

What holds for relatively affluent Canadians, however, almost certainly does not hold for the *average* Canadian. In 2012, average weekly earnings across all industries were $897, which translates into an annual income (assuming 50 weeks of work) of $44,850. Individuals with average incomes would benefit more from any extra income than would much richer individuals. For the average Canadian, faster economic growth is an opportunity not to be missed.

One argument made in favour of slower growth is that in recent years, most of the benefits of economic growth, in Canada and elsewhere, have not accrued to middle-income individuals but instead have been mostly captured by the upper-income groups — what we now call "the 1 percent." This is true. But this observation should not be used as an argument against economic growth. Instead, it should motivate us to address the growing inequality emanating from that growth. This may involve implementing two types of policies: those to redistribute income and those to dampen the forces responsible for creating the inequality. But to give up the economic growth that could potentially improve the happiness of millions of lower- and middle-income Canadians would surely be a mistake.

Economic growth as an effective means to improving well-being is even more important in the developing countries, where the majority of the world's population lives in conditions far below the Canadian average. In countries like ours, a drought leads to a drop in farm income for a tiny share of the population; in much of the developing world, a similar drought appears as a spike in the country's mortality rate. The rich-country argument that higher incomes do not lead to greater well-being is patently false in countries in which hundreds of millions of people live on less than $2 per day. Advocates of slower growth, most of whom are lucky enough to live in the developed world, need to guard against their arguments being seen as an effort to keep the world's poor in their destitute state.

Despite what inferences might be drawn from aggregate statistics, economic growth is not primarily about having more of the same things over time. Rather, it is mostly about the creation of new and better products, new forms of organization and improved methods of production. At the heart of economic growth is technological change. The ongoing process of technological change, which characterized the world occasionally for about 10,000 years but more or less continually since the late 1700s, has been driven by the human impulse to solve problems and improve our living standards. Suppressing this impulse with policies — directed at firms as well as consumers — would likely be undesirable and quite difficult; dampening it through a change in mindset would be possible, but only over considerable time.

Consider consumers first. It is probably natural to want to improve one's situation in life, to have command over more resources, to provide economic and financial security for direct and extended family and to enjoy to the fullest what limited time we have. While eliminating these instincts is not the goal of today's slow-growth advocates, they typically argue that we should recognize that owning and consuming more "things" need not be (and typically is not) the basis of our well-being — that genuine happiness comes more from our relationships and time spent with friends and family than it does from consumption. Why can't we all just learn to take more pleasure in a world with less focus on material goods?

There is nothing logically impossible about a no-growth world. There is no underlying economic truth that requires positive economic growth. One can easily imagine a world in which we all choose to work only 60 percent of each week, thereby freeing up a considerable amount of leisure time. Along with our reduced work would naturally come less income, and our sustainable level of consumption would also fall to 60 percent of its previous level. In this world, national income (gross domestic product) would be 60 percent of its current level, and the strains on our environment and natural resources would also be commensurately reduced. A world with less focus on material consumption is entirely possible.

How could we move toward such a world? Either government policy could force the necessary changes, or people could choose to adjust their preferences and priorities. It is difficult to imagine that the kinds of freedom-infringing policies required to bring about such changes would be broadly acceptable to those who value individual freedoms. Shouldn't we be free to work more hours if we choose, or to spend our income on material consumption goods, or to spend our leisure time travelling rather than just sitting on the porch? We could certainly debate the government's appropriate role in determining how individuals choose to spend their lives, but such a debate would not be resolved quickly, if ever. As for the willing adjustment of people's preferences and priorities, this can and does happen, but typically only gradually over time. The advocates of slower growth can spread their message as widely as possible, but they should not be surprised to find that significant changes in consumer behaviour are observed only over decades.

Now consider firms. The impulse to solve problems and improve technology is especially ingrained in the conduct of business. Unless firms have a guaranteed market with no

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competitors, their continued survival depends on their ability to develop new and better products, establish production methods that economize on resources and generally develop competitive advantages over their rivals. Their driving motivation is the extra profits they receive by improving their competitive position.

It is firms' pursuit of profits that leads to improvements in their products and technologies. And these technological improvements, when summed together, lie at the heart of economic growth. While it would be possible to devise government policies to inhibit this corporate drive for profits and technological advance, one must wonder whether the benefits of such actions could possibly be worth the costs. Do we really want to deny ourselves the future technological advances that will allow us to cure debilitating diseases, reduce the waste of scarce natural resources, improve agricultural productivity and communicate more easily with our friends and family?

Today's advocates of slower growth have legitimate concerns about the eventual depletion of key natural resources, the excessive degradation of our environment and the fact that most of us, especially the relatively rich, probably place too much importance on the consumption of material goods and not enough on the nonmaterial things that deliver genuine happiness. It is worth being reminded of these concerns.

But these concerns do not translate so easily into a logically coherent case for slower economic growth. Concerns over resource depletion tend to underestimate the role of long-run technological change in altering our resource use, and how these changes are often driven by the rising relative price of resources that accompanies their increasing scarcity. Concerns over environmental degradation provide a very strong argument in favour of better policies to protect the environment, but there is nothing inconsistent about having both a growing economy and an appropriately protected environment.

The concerns about our society's excessive emphasis on material consumption are more difficult to address. Rather than suggesting the introduction of highly interventionist government policies to limit our behaviour, most of which would be unacceptable in societies that value individual freedoms, these concerns would be more realistically viewed as a call for a fundamental realignment of our values and priorities. The more we discuss these issues, the more people will ask probing questions about what they really value in life. And the posing of these questions will often lead to surprising answers, which can in turn lead to changes in individual behaviour.

Yet there is little reason to believe that this process will be anything but gradual. Today's slow-growth advocates may wish that the process could be accelerated, but they will need to resign themselves to the inherently slow nature of social change. ■

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