Why bother? Economic growth between stagnation and obsession

Why ask? Questions and approach

Why growth? Key arguments on the (re)making of the growth paradigm

1. The four discourses of the growth paradigm
2. The flexibility of the growth paradigm
3. GDP as the measure
4. Growth as a universal solution
5. The entangled rise of economics and the growth paradigm

So what? Some tentative conclusions
Nominal (left) and real (right) GDP % change on year earlier in key OECD countries, 1960-2014

Source: Penn World Tables; The Economist
“Modern macroeconomics often seems to treat rapid and stable economic growth as the be-all and end-all of policy. That message is echoed in political debates, central-bank boardrooms and front-page headlines [...] There is a certain absurdity to the obsession with maximizing long-term average income growth in perpetuity, to the neglect of other risks and considerations.”


Source: Penn World Tables; The Economist
The rise of "economic growth" in public discourse.

Source: Ngram Viewer
The rise of “economic growth” as a scientific concept

Source: Data For Research (DFR)
The growth idea in perspective

Economic growth has been described as:

- fetish (McNeill 2000)
- obsession (Eichengreen 2007, van der Wee 1995)
- ideology (Milward 1987, Maier 2010)
- axiomatic necessity (Georgescu-Roegen 1977)
- social imaginary (Castoriadis 1991, Latouche 2010)

The “overarching priority of economic growth was easily the most important idea of the twentieth century” (McNeill 2000, p. 236)
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Research questions

How did economic growth come to be almost universally seen as a self-evident goal of economic policy-making and how was this constantly reproduced in changing circumstances?

- How was growth defined, how was it justified, what policies were pursued in its name, how was it questioned?
- And what were the related transformations, continuities, and ruptures?
Why the OECD?

(i) **Its role in global governance**: defining good economics and the norms of adequate government behaviour in a modern state

“*The OECD is to classical economics what St. Peter is to Christianity. I mean it’s the keeper of the keys.*” (Jim McNeill, cited in Bernstein 2001, p. 198)

(i) **Thematic focus** on economic growth - growth as its “organizational ideology”

(Cox & Jacobson 1974, p. 22)

*The OECD is “a kind of temple of growth for industrialized countries”* (Alexander King, cited in Peckham 2007)
Sources

Archive of the OEEC and OECD in Paris
- Official working papers and minutes (Council, Committees, Directorates, Working Groups)
- Correspondence, unofficial background papers etc.

National Archives
- UK: The British National Archive, Kew
- US: National Archives and Records Administration, College Park, Maryland
- Germany: Bundesarchiv Koblenz
- EEC Archives, Brussels; King’s College Archive Centre, Cambridge

Published Sources
- OECD publications
- Publications by protagonists (economists, experts, bureaucrats, politicians)
- Memoirs (Marjolin, Kristensen, van Lennep, King, Maddison, Christensen, Hall)
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So what? Some tentative conclusions
1. The four discourses constituting the growth paradigm claimed that...

... GDP, with all its inscribed reductions, assumptions, and exclusions, adequately measures economic activity

GDP as a measure

... that growth was a panacea for a multitude of (often changing) socio-economic challenges

Growth as panacea

Growth as universal yardstick

... and that GDP-growth was practically the same as or a necessary means to achieve essential societal ambitions such as progress, well-being, or national power

Growth as endless

... that growth was essentially unlimited, provided the correct governmental and inter-governmental policies were pursued.
2. The flexibility of the growth paradigm

- End of Marshall Plan aid
- Crisis of OEEC and inner-European trade dispute
- Foundation of the OECD
- End of Cold War

- neoliberal growth
  - “competition”
  - “structural adjustment”
  - “sustainable growth”

- “pro-poor”, “inclusive”, “green growth”

- “Problems of modern society”
  - “qualitative growth”
  - “environment”
  - “social indicators”

- Standardisation of GNP statistics
- “productivity”
- “economic expansion”
- “growth for growth’s sake”
- Quantitative growth
3. GDP as a measure and the search for alternatives

- In the middle of the 20th century most economists argued against the use of national income statistics

- Controversies about how GDP “mismeasures our lives” (Stiglitz, Sen, Fitoussi 2010) actually date back to late 1940s and early 1950s

  - externalities, non-monetary housework, and subsistence

- Governments and IOs as driving forces, in particular the OEEC

Richard Stone, OEEC economist in the early 1950s, won the so-called Nobel Prize in 1984
4. Growth as a universal solution

Cold War competition
international comparisons and
“competitive targetry”
development aid

International organizations need comparative data

Reconstruction
social stability
rearmament
“expand or die”

4. Growth as a universal solution

The Battle about the “Problems of Modern Society”

Directorate for Scientific Affairs
(Alexander King)

> “Problems of modern society”

> heterodox, welfare economics, environmental economics, different disciplines

Department for Economics and Statistics
(Christopher Dow)

> quantitative growth automatically achieves all other goals

> economists

Results

> Environmental work

> Social Indicator Initiative

Core founding members of the Club of Rome
Aurelio Peccei, Alexander King, Hugo Thiemann, Saburo Okita (1970)
5. *The entangled rise of economics and the growth paradigm*

The “Superiority of Economics” (Fourcade et al. 2015)

The *rise of the growth paradigm* in the twentieth century
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Current debates questioning continued growth for industrialized countries

- Long-term possibility of further quantitative growth (secular stagnation)?
- Is GDP-growth really beneficial for welfare, happiness, and employment?
- Can environmental crisis (climate change) be alleviated without curbing economic growth?
Current debates questioning continued growth for industrialized countries

- Long-term possibility of further quantitative growth (secular stagnation)?
- Is GDP-growth really beneficial for welfare, happiness, and employment?
- Can environmental crisis (climate change) be alleviated without curbing economic growth?

Pervasiveness of GDP as a measure of social well-being and of growth as a policy goal as a “puzzle” (Offer 2006, p. 17) or “paradox” (van den Bergh, 2009) in need of explanation
So what?

From “growth for growth’s sake” to a more nuanced view?

Is economic growth an end or a means?

**Seeing growth as a means:**
- What is the relationship between GDP growth and climate change / equality?
- Is our economic system dependent on GDP growth?
- Are our political and social institutions dependent on GDP growth?
Thank you for your attention!

Prizes:
• The dissertation upon which this book is based was awarded the 2015 Best Dissertation Prize (Twentieth Century) by the International Economic History Association
• … the 2015 Friedrich Lütge Prize by the German Society for Social and Economic History
• … the 2014 Kapp Research Prize by the German Association for Ecological Economics