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European Policy Beyond Growth

De-Growth Conference Leipzig

Karl Aiginger

**Leipzig, 04. September
2014**

- **Changing the European strategy:
WWWforEurope**
- **De-Growth: attractiveness and limits**
- **A vision for deep change, with a-growth elements**
- **Summary**

- **Unification of Europe: 28 members (+10); peace project**
- **Catching-up of Eastern Europe**
- **No external deficit (than US)**
- **Larger manufacturing sector, stronger Euro (in contrast to 2000) ***
- **Low dynamics, youth unemployment 20%**
- **National** priorities and preference override common goals
- **Financial markets focus on problems** and exaggerate them
- **Ignoring** neighbours (Turkey/Ukraine/North Africa) *

⇒ **Reassessing the European strategy needed.**

WIFO ■ Low growth forecasts up to 2025

2010 - 2025

EU 27(28) **1.5% - 1.8%**

USA **2% - 2,5%**

Japan **1% - 1,5%**

China **5% - 7%**

World **3.5% ***

⇒ **Future growth: EU 27 between 1% and 2%**

⇒ **Definitely less than before 2-3%**

⇒ **Growth differential towards US.**

WIFO ■ **Research project: WWWforEurope (WfE)**

Europe needs to become more **dynamic**, **social**
and **ecological**

■ **Welfare, Wealth, Work**

- **Scientific support for Europe 2020 and beyond**
- **Towards a socio-ecological transition ***

■ **7th Framework Programme**

- **WIFO (Coordinator) plus 32 partners, 4 years**
- **Boards with a novel laureate, ex prime minister, ex commissioner EU**

⇒ **Homepage: <http://www.foreurope.eu/>**

⇒ **Mail for Newsletter to: [wwwforeurope-office\(at\)wifo.ac.at](mailto:wwwforeurope-office@wifo.ac.at).**

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WIFO ■ Outline

- **Changing the European strategy: WWWforEurope**
- **De-Growth: attractiveness and limits**
- **A vision for deep change, with a-growth elements**
- **Summary**

- **More equal distribution, within ecological limits**
- **Open, connected, local**
- **Material accumulation should not dominate (be substituted by culture)**
- **From GDP to other performance benchmarks**
- **No right-wing radicals, racists, chauvinists accepted**

Euphemistic: “downscaling that increases human wellbeing”

- **Downscaling of what, when, how?**
- **Incomes instrumental for many needs (health, leisure activities, culture)**

New democratic institutions: makes me curious if not scared.

- Doubts about **desirability** of downsizing
- Lack of instruments to maintain **social** goals/employment
- Doubts about joyful downsizing in **globalized** world
- **Stability** of downsizing, De-Growth downward spiral.

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- **Most people** want comfortable and mildly rising income
 - Specifically those **below 2000 €** (median: 1700 EU, 550 BG)
 - High-income groups with less understanding (by myself)
 - Low-income people want higher **income**, not transfers
 - Regional **differences** in EU 20 : 1 (low 10: 660 €/year)
 - **All** want better schools, transport, health, long life, choice.

Instrument 1: Reduction of working time

- **Enforced, with lower wage**
- **Works for low-paid blue collar workers/not for the rich**
- **Needs limits to migration (upper limits for incomes)**

Instrument 2: Opting out of formal work

- **Informal work for society, family: increases dependence**
- **Basic income: feasible with lower GDP at level of 500 €/200 BG**
- **Changing from informal to formal employment was main goal of emancipation for women and young people.**

Instrument 3: Massive redistribution need, but less likely than today

- Higher payment for lower hours, or basic income
- Rich have power to prevent it (today, even more in De-Growth)
- Lower incomes **petrify** past wealth differences (Piketty)
- Even today **no** (very mild at best) **democratic support** for redistribution
- Economic laws (globalisation, technology, big firms, financial markets, low growth) all favour income spread.

- **Current system not stable**
 - **But 4 years of negative growth only in 70 years**
 - **Government stabilized (by increasing debt)**
 - **Downsizing:**
 - **Less investment**
 - **Firms leave countries**
 - **No FDI, less headquarters**
 - **Declining employment, taxes, productivity**
- ⇒ **Decline can become cumulative**
- ⇒ **Increasing social, political tensions.**

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- **Medium run (20 years)**
 - **Inclusive society (less unemployment, less income spread)**
 - **Sustainable (large absolute reduction of fossils, material, sharing economy)**
 - **Dynamic (more choices, incl. higher income or lower working time)**
 - **Stable (fewer crises, financial sector serves real economy, consumers)**
 - **Open economy: enjoying migration, diversity**

- ⇒ **In the long run (50 years) reduce the growth imperative**
 - **Less labour saving technical progress**
 - **Social & ecological innovations**
 - **More equal distribution**
 - **Consumer preferences may change.**

- **Radical absolute reduction of energy (-80% for fossil energy)**
- **Radical switch to renewable, choices of working time (downward trend)**
- **With openness, love of variety**

⇒ **Look which growth rates result from these decisions, action**

⇒ **“A-growth” rather than a priori enforced De-Growth.**

- From GDP  **broader goals** (Beyond GDP indicators)
 - From growth as objective  growth as **instrument**
creating welfare, employment, sustainability
 - From low costs  excellent **capabilities**
- as driver of competitiveness
- ⇒ **Europe can succeed in the long run only by a high-road strategy.**

Changes needed for Europe

- **More dynamics, higher employment**
- **Lower disparities, disequilibria**
- **Upgrading education, innovation, gender equity**

The European model should be based on three pillars

- **Dynamic, inclusive, sustainable**
- **In a society with: openness, choice, resilience**

⇒ **We have to make the three pillars compatible by a strategic approach.**

Dynamic society ...

- ... a broad set of economic and social values is sought by more and more people & economic choices are growing**
- ... people learn how to reach welfare goals and life satisfaction individually as well as within society**
- ... the limits of the planet are respected**
- ... absolute emissions are decreased significantly (EU!)**
- ... unemployment is low**
- ... income spreads are limited (decided by voters).**

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- **By 2050 Europe will have become a role model for:**
 - **A dynamic, open economic area**
 - **With internal sustainability**
 - **Absolute decrease in fossil energy and material**
 - **Positive spillovers to neighbours and the world at large**

- ⇒ **The growth path will be lower than before**
- ⇒ **The welfare content of growth much higher.**

WIFO ■ Summary

- **Our system is not sustainable**
 - **Low dynamics, inclusion, ecology**
 - **Substantial changes are necessary and feasible**
 - **They have to be in line with preferences**
 - **Democratic support of majority**
- ⇒ **In the medium run low growth can be easier made compatible with absolute decline of resources than**
- ⇒ **Downsizing with employment, inclusiveness and openness**
- ⇒ **In the long run the growth imperative should be made less important.**