

The Oil Drum

Discussions about Energy and Our Future

Dear Candidate - What Will You Do if Growth Is Over...?

Posted by [nate hagens](#) on July 11, 2010 - 10:51am in [The Oil Drum: Campfire](#)

Topic: [Policy/Politics](#)

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(Intro: In talks with friends (not of the PO cloth), I've recently sensed more consideration of the possibility that economic growth may not return and what that might imply. As such yet I think there is a vast dissonance that such a possibility is not remotely discussed in political circles. The essay below the fold was adapted from the [Institute for Integrated Economic Research](#) website (under construction)- I've been working with the people there lately on what possible benign trajectories exist in a world after growth.)

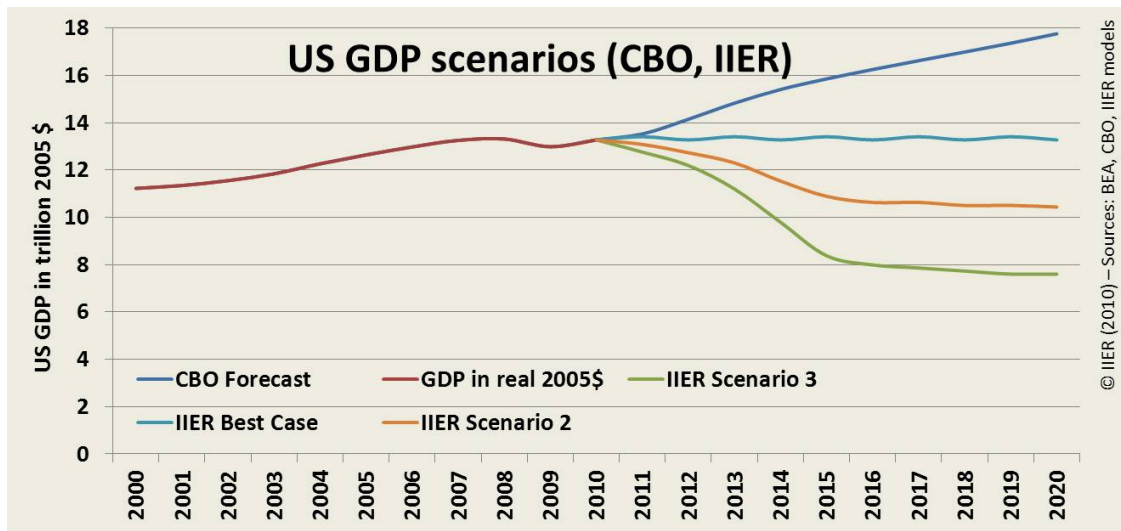


Fig 1: Official and alternative scenarios for U.S. GDP growth

To me, one of the most surreal phenomena one encounters these days is that no country, no established economic research institute (that I'm aware of), and no international organization (such as the IMF) publicly discusses scenarios that don't plan for a return to stable economic (GDP) growth. Even Greece's government, after 2012, expects growth, which would allow the country to slowly reduce its monster debt load. Similarly, the U.S. government forecasts annual average (real) growth rates of 4.4% for the years 2012-2014, and 2.4% thereafter until 2020. This theme is globally ubiquitous. (*ADDENDUM: Today Lloyds of London said [global institutions are underestimating impacts of peak oil](#)*).



The above graph is one organization's view of the general magnitude of risks facing societies. Whether or not you agree with their projections is secondary to their ranking in mainstream discussions. On a long term horizon, clearly the health of our environment is of utmost importance. And, along with climate change and other potential externalities, resource depletion issues of various stripes pose large risks to the system as we know it. But before we face the long term we have to go through the short term, which will have to navigate the energy/debt/growth gauntlet. For all the effort being undertaken internationally to address climate, little if any is being made towards building bridges through and past a period of declining growth and wealth. Cognitive dissonance meet group think...

Given the stakes, it is quite worrying that in all the institutionalized economic projections of late, decline or zero growth aren't even mentioned as a possibility. One can speculate why this is the case, but I think there is significant evidence that only limited efforts- if any - are being allocated to understanding the possible consequences and required mitigation strategies of such a trajectory. I'm not so sanguine about the fact that so few people seem to be ready to think the not-so-unthinkable.

We have no insurance for no-growth scenarios

Risks we typically buy insurance for

1.5-2% (over 10 years)*	3-4% (over 10 years)*	>20% (over 10 years)
		
We buy insurance.	We buy insurance!	We don't care?

*Risk calculated based on current average U.S. insurance premiums for 10 years, plus cost of fire department
 *Risk calculated based on 2008 U.S. count of stolen vehicles vs. total vehicles on the road

Given the constraints in natural resources, our currently unprecedented levels of debt on a global scale, and the absence of ideas for the next grand "leap forward" for mankind, it seems plausible that we might have to bid adieu to economic growth, and not just for a year or two, but for a long time. Some models at IIER (and other whisper numbers at boutique firms and the blogosphere) suggest the chances for steady economic growth after 2010 are below 10-20%. Even if you disagree with such low odds and put the probability for "more growth" to, say, 80%, doesn't it seem a bit irresponsible to not at least consider the other 20%? Not buying insurance for a risk that might hit you with some pretty negative consequences with a one in five chance strikes me as not the best strategy for a resilient and forward thinking society.

Consequences of "no growth" are quite unpleasant

Our current world is about as prepared for "no growth" as is a fish to walk on land. All our current claims systems, the credit outstanding, including government debt, our pension expectations, our savings, our hopes and dreams, are mostly focused on a "there will be more tomorrow" mentality. Should this "more" disappear as a possibility, we will likely not just see small implications, but rather a disruptive destruction of both perceived wealth and security, accompanied by the shattering of hopes and dreams, the perception alone which might cause further trouble in our highly complex societies. Choosing to go forward to a world with different aspirations than growth might have some unexpected positive surprises. But one could argue the worst will happen if we run into such a world completely unprepared. This is why we urgently need policymakers to face the risk of "no-growth," to understand possible implications and to work on transition approaches.

Why not use upcoming elections to ask a few questions?

So with elections coming up in a number of places, particularly for mid-term this fall, why not ask some questions to those people who want our vote? Why not at least instill awareness, concern and caution into the candidates who wish to represent us in the future? Why not have them ask themselves how they'd deal with a situation where they can no longer promise "more" to their constituents, but instead have to think about how to make "less" more appealing to everyone...?

Dear candidate - have you ever... ?

Below is a draft of a letter to an imaginary politician up for election later this year:

Dear _____

You are currently running for office as _____ in _____ . As you know, we are living through economically tough times, and I hear a lot about how the economy can be brought back to stability and prosperity.

However, have you ever considered that economic growth might actually not return? That we might have to build a societal infrastructure based on less?

If so, what would be your plans to mitigate such a situation, to make sure that life can go on for your constituents in a future where "more each year" is no longer possible?

Or alternatively, if you don't have any plans - are you 100 percent certain that growth and prosperity will ever return, and if so, why is it that you see no risk worth looking at?

I am personally as worried about the risk accompanying awareness of "no more growth" in the foreseeable future than I am about the reality of no growth. But my real concern is about the absence of anyone making any plans for either possibility.

With that backdrop, here are tonight's Campfire questions:

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1. Is there a reason why this kind of letter shouldn't be sent to real people who want our vote?
 - 2a. Would a candidate addressing these issues/questions stand any chance of winning?
 - 2b. If not, might such a candidate, even in a losing effort, influence the election issues and as a result positively impact transition efforts away from growth based economy?



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