

MYTH #3: Economic Growth is Necessary to End Poverty

“The assumption is that growth is good and more is better. It is as if economists had never heard of cancer. It is extraordinary that an entire social science, and the dominant discipline in today’s world at that, can effectively have come to be based on such a simplistic assumption.” – Paul Ekins¹

“...conventional economics starts with certain basic premises that are clearly, unequivocally incorrect: that the environment is a subset of the economy; that resources are infinitely substitutable; and that growth in population and consumption can continue forever. In conventional economics, natural resources like fossil fuels are treated as expendable income, when in fact they should be treated as capital, since they are subject to depletion. As many alternative economists have pointed out, if economics is to stop steering society into the ditch it has to start by re-examining these assumptions.”

– Richard Heinberg²



Economic Growth versus Poverty Alleviation

One of the most commonly repeated mantras in economics is that the way to end poverty and all the misery that it entails is through continuous economic growth. Growth – politicians, the media, and ‘experts’ of every stripe repeatedly state – generates jobs and products that can satisfy people’s unmet needs. Without growth, there will always be deprivation, especially as the population increases. According to this view, the production and consumption of a variety of goods and services generates jobs and wealth that will eventually lessen, or even entirely eliminate, poverty. Perpetual economic growth is thus the best possible goal for all societies. Moreover, according to the Economic Growth Myth, because competition and profit drive private companies, the private sector is the most likely to power growth.ⁱ Thus, according to the proponents of this myth, the economy needs to grow free of the fetters of government regulation for there finally to be

ⁱ Mainstream economists argue that competition will bring gains for all, although it is difficult to find the parallels between this and real life: “The more competition there is, the more likely are firms to be efficient and prices to be low. ... Perfect competition is the most competitive market imaginable in which everybody is a price taker [subject to competition and thus having to sell at the price the market sets, rather than being able to charge what they want]. Firms earn only normal profits, the bare minimum profit necessary to keep them in business. If firms earn more than this (excess profits) other firms will enter the market and drive the price level down until there are only normal profits to be made.” The Economist, *Economics A-Z*, <http://www.economist.com/economics-a-to-z> accessed on 25 July 2013.

enough for all. The concept has the benefit of sounding reasonable: if existing wealth is insufficient for all, then we should generate more. The need for economic growth is thus implicit; the main question is how to achieve it. Which economic model will work better at achieving growth? How can we sustain growth? Why are some countries growing while others remain stagnant or decline?

When I mentioned to a colleague that I object to the goal of economic growth, he was surprised. “Doesn’t economic growth mean that people will have more of what they need?” he asked. Well, no, not really: it refers to GDP growth, which, as I explained previously, is a sound measure of neither economic health nor wellbeing. The goal of economic growth is by definition flawed, because it draws on flawed measures.

Beyond an objection to the measurement tool (GDP) are the problems associated with the belief that simply having more goods available will inevitably lead to a decline in poverty. Certainly, there are cases where economic growth has helped the poor, but it is not the most direct or efficient way to do so. There is too much waste in a system that relies on increased consumption to generate the wealth that will help some of the poor to do better. It may work, but other methods that are far better for the environment could work even better. Limited success at high cost is not sufficient justification for promoting a harmful model.

For several reasons, economic growth often does not help the poor. It involves the increased production of goods that often do not contribute to greater wellbeing. Even the useful goods that it produces often do not reach the poor. The jobs that result too often pay too little.

Meanwhile, even *current* consumption levels in many countries are unsustainable, given the limited resource base and the amount of pollution that consumption generates. Increasing worldwide production is pure folly: it puts too much pressure on the environment, and it defines the problem as insufficient supply without considering that the real issues at hand may be grossly unequal distribution and unchecked waste. More is not necessarily better.

The poor will not benefit from economic growth if the growth never reaches them

Economic growth tracks growth in GDP, not the growth in jobs, or the growth in services provided to the poor, or the growth in the number of low-income people who are able to buy or otherwise access what they need to survive. The assumption is that more production benefits the poor, but one can have an awful lot of

production without it ever reaching those in need.ⁱⁱ Even if all the goods produced by factories are consumed, it does not necessarily mean more consumption – or more ability to consume – by the poor. One way to achieve economic growth is by encouraging corporations to build new manufacturing facilities in countries with high levels of poverty. However, the goal of those facilities is to make money for corporate executives and shareholders. Corporations take advantage of low wages and the lack of regulations, such as for working hours and conditions and for environmental pollution. Profits from the factories flow back to the investing country. The poor contribute their (low-waged) labour to the company's economic growth, while only the rich company owners, executives, and shareholders enjoy the fruits of that labour. Low-waged employment obviously does not lead to prosperity for the workers themselves. If large corporations dominate the economy, other low-income people will benefit little from the added spending of the newly employed. Rather than circulating in the lower echelons of the economy, what little wealth trickles down to the poor gravitates right back up again when the poor use their wages to purchase the various goods and services that the rich control. This gravitational pull of money upwards towards the rich is not a problem for those who believe that it is the owners of capital, not those who engage in physical labour, who should reap most of the benefits. To be painfully direct, the poor often fail to benefit from growth because they were never intended to benefit.

The United States, which most prominently promotes the economic growth model, deserves special scrutiny here. The richest ten percent of Americans received not just the lion's share, but a full one hundred percent of the average growth in income over the years 2000 to 2007, the most recent extended period of economic expansion.³ Going back farther reveals similar results: while the size of the American economy tripled between 1973 and 2006, the bottom ninety percent of the population actually suffered a small decline in their absolute wages during those thirty-three years, with average incomes falling from \$32,135 in 1973 to \$31,528 in 2006 (figures adjusted for inflation).⁴ Net worth also declined among this group.⁵ The trends continue today, with the earnings of the richest households increasing and those in the bottom four quintiles decreasing.⁶

ⁱⁱ A quick clarification: the overly general catchphrase 'the poor' refers to two important groups: those living in abject poverty who struggle to meet their basic needs, and those living in relative poverty. In addressing poverty, the goal obviously should be to improve the situation of those who lack the basics for a decent survival, as opposed to those who simply wish for more.

Despite all of the country's wealth and economic growth, an estimated one in one hundred Americans is homeless at any given time.⁷ According to Census Bureau data cited in the *Washington Post*, in 2009 some forty-four million Americans (one in seven) lived in homes in which the total income was below the poverty level. That figure represents the largest number of people living in poverty since the national census began tracking poverty fifty-one years ago.⁸ Economic growth in the United States has not eliminated poverty.

Poverty in the United States does not reach, of course, the levels seen in some countries in Africa, Latin America, or Asia. Still, the United States is one of the wealthiest countries in the world, and many less prosperous countries try to follow its economic policies in hopes of achieving similar rates of wealth. They need to be very aware of the persistent nature of deep poverty that exists throughout the country. As E.F. Schumacher has asked, "If economic growth to the present American level has been unable to get rid of public squalor – or, maybe, has even been accompanied by its increase – how could one reasonably expect that further 'growth' would mitigate or remove it? How is it to be explained that, by and large, the countries with the highest growth rates tend to be the most polluted and also to be afflicted by public squalor to an altogether astonishing degree?"⁹

Not only will economic growth often fail to reduce poverty, it will also often fail to increase the wellbeing of the vast majority of citizens. Writing in the *World Happiness Report*, Jeffrey Sachs, Director of The Earth Institute and Special Advisor to the United Nations Secretary-General, notes that "the world's economic superpower, the United States, has achieved striking economic and technological progress over the past half century without gains in the self-reported happiness of the citizenry. Instead, uncertainties and anxieties are high, social and economic inequalities have widened considerably, social trust is in decline, and confidence in government is at an all-time low."¹⁰ This decline in happiness is due, in part, to the declining position of the middle class: the formerly comfortable are now sinking into poverty (losing their jobs and homes), while the rich grow ever richer and the poor are virtually forgotten.

What plays out in the United States also happens in countries with vastly less wealth. Ecuador, for instance, experienced significant growth in the 1970s largely through oil sales. Former 'Economic Hit Man' John Perkins notes that following the so-called oil boom, the official poverty level in that country actually increased from fifty percent to seventy percent and under- or unemployment increased from fifteen percent to seventy percent. Public debt also grew from \$240 million to \$16 billion. The poorest, who previously received twenty percent of national resources, later received only six percent.¹¹ Ecuador is, alas, far from exceptional.

When 'development', funded by economic growth, is believed to consist of fancy airports, luxury apartments, high-rise office towers, and elevated expressways, the beneficiaries are often few, and the price of growth includes environmental destruction as well as a loss of livelihood for many.

Other measures that have resulted in economic growth have been equally disastrous for the poor. Clamours over high food prices in the United States in the 1970s resulted in a food revolution spurred by President Nixon, who succeeded in reducing the price of food. Food prices in the United States, measured as the average proportion of people's income spent on food, are now about the lowest in the world – and in history.¹² This drop in food prices resulted in part through a switch in production methods away from small farmers and other local producers and retailers, who focus on fresh produce and meat, and towards large corporations that raise animals and vegetables on environmentally destructive mega-farms and focus on producing processed foods that have dramatically less nutritional value. At the consumer level, there has been a purchasing shift from fresh ingredients to unhealthy processed and 'fast' foods. The result is cheaper food, more nutrition-related disease, and corporate control of virtually the entire food supply chain.ⁱⁱⁱ If the indirect costs of ill health and environmental damage were included, this now-abundant food would not be cheap at all.

If corporate control and unhealthy food accompanied not just more obesity and disease but also less hunger, then it would be more difficult to determine if there was progress. However, this is not the case. Despite the relatively low cost of food in the United States as a percentage of income, widespread hunger remains a problem because of poverty: nearly forty-eight million Americans (one in six, including more than seventeen million children), are 'food insecure' – meaning that they often go hungry. Hunger costs the country about \$167 billion each year in health care costs, missed workdays, and – since so many of the hungry become school dropouts – lowered productivity due to educational deficits.¹³

The situation in the United States is by no means unique. Increasing rates of obesity accompanied by continuing malnutrition is a global phenomenon. Industrial food has not eliminated hunger; it may simply be contributing to obesity. There are now nearly twice as many overweight and obese people in the world (one and a half billion¹⁴) as malnourished ones (850 million¹⁵). As with our waistlines, so with the economy: growth is not necessarily a healthy phenomenon. Yet,

ⁱⁱⁱ For example, six retailers – Walmart, Kroger, Albertsons, Safeway, Costco, and Ahold – control more than half of the entire American retail grocery market. Paul Roberts, *The End of Food: The Coming Crisis in the World Food Industry* (London: Bloomsbury, 2009).

in a scenario based on increasing GDP, it is precisely this switch from homegrown to processed foods that economic growth reflects. The problem is not limited to societies where food is overly abundant. In a poor rural community in which most people are malnourished, governments and NGOs may encourage local farmers to grow export crops so that the farmers will earn more money. However, if they follow that advice, the farmers can no longer subsist on what they grow. They must use at least some of the money they earn to buy food. If food prices increase, whether because fewer farmers are growing food crops or because the prices of petroleum-based fertilizers and transportation rise, they may not be able to afford to feed their families and the community may become even more malnourished than before.

Finally, an important cause of hunger is waste, rather than inadequate yields. Recent research commissioned by the UN Food and Agriculture Organization finds that one-third (more than one billion metric tons) of the food produced each year for human consumption is lost or wasted. While in wealthier countries much good food is deliberately thrown away, in low-consumption countries in which distribution systems are inadequate, food is mainly lost because it rots or is eaten by rodents.¹⁶ Rather than helping the undernourished, increasing the availability of food could simply result in fatter rats. So much for growth benefiting the poor.

How does growth help when what is growing is the availability of harmful or unnecessary products?

Growth in output simply does not equate with people being better off. *What* is produced, *how* it is distributed, and *how much* is wasted, are all often far more important to wellbeing than total production. More tobacco products, more soft drinks, and more weapons all represent economic growth but not more wellbeing. Nor is it helpful to have more products going to the rich while the poor continue to do without. Sometimes more availability of products simply means more waste, which again benefits no one but the producers and sellers.

Even in the case of an increased availability of consumer goods, it is important to note that economic growth typically brings about growth in the *range* of consumer goods available rather than more of what people really need. For example, throughout the world, there has been an explosion in the variety of soft drinks, chips, and countless other mass-produced products. There has been an increase in large shops pushing local sellers out of business. Economic growth would be more helpful if it made available the goods and services needed for good health. More variety would be helpful if, for instance, it included the variety of housing available to meet the needs of different types of people: extended families, students, the low-income, those wishing to live in a group, single people wishing to live alone,

and those who do not own a car. It is easiest to produce and market goods that target a uniform audience lacking in individual tastes; it is more difficult to design housing and other products to suit individual needs. Neither hand-made goods nor items tailored to the individual consumer lend themselves to either mass production or economic growth.

The very poor spend the majority of their wages on food, housing, clothing, and other essentials. Rising incomes among the poor can mean the difference between barely surviving and a decent way of life. However, across many segments of society, rising incomes can mean that people shift from spending most of their money on essentials to spending it on non-essential items or luxurious versions of essentials (carrots to caviar, a bicycle to a BMW, to use extreme examples). Many non-essential items require large quantities of resources to create, package, use, and dispose. Many are imported from far away. This production, transport, consumption, and disposal, in turn, take a toll on the environment. As such, an increase in consumption may only marginally benefit the poor – who still generally cannot afford to purchase even the bulk of essential goods – while contributing greatly to environmental harm and the depletion of natural resources.

Consumer goods, moreover, represent only one part of the economy. Economies also grow in other sectors, such as the military, security, private prisons, and health care. In the case of the military, security, and prisons, more usually means less wellbeing. The more weapons that exist, the more likely societies are to end up in wars.^{iv} The more companies that seek to make money by convincing people of the immediate threat of terrorism and of the increasingly high-tech measures that are needed to protect them, the more likely the population is to lose some of its basic freedoms. More prisons require more prisoners, which encourages the passage of extremely harsh sentencing laws that lock people away for minor offenses. Enormous amounts of wealth end up invested in unproductive, even destructive, enterprises.

More health care would be a good thing *if* it were equitably distributed *and* combined with preventative measures to reduce and not just treat disease. People are certainly not better off when increased health care spending simply involves

^{iv} This is an enormously important point. When people talk about government budget shortfalls, they rarely mention how much is spent on the military. If fewer tax dollars went to the military, more could be used for education, health care, and infrastructure improvements, which would make life better for everyone. And alas, in order to justify high military expenditures, countries may feel the need to go to war occasionally. The business of producing and selling arms may be not only the greatest enemy of peace but also of prosperity.

more insurance companies, more bureaucracy, and more questionable but lucrative treatments.

Is economic growth sustainable?

Is it possible to keep simply increasing the amount of global wealth until everyone reaches the economic level of the average American? Is doing so even a good idea? It may appear that economic growth can continue indefinitely: in many countries, GDP growth has been sustained for decades and seems able to be sustained for decades more. However, a longer view demonstrates that sustained growth over the last few decades has actually been an historical exception. Around the world, rapid economic growth has mainly been the result not of human ingenuity and new technologies, but of cheap fuel. Fuel is no longer cheap, and its supply is by no means infinite. Continue to raise the price of fuel and other natural resources, and economic growth may well disappear. This is no distant prospect, as the recent global economic recession reminds us. Modern society may well have lived through highly unusual times and is now reverting to normalcy.¹⁷ However, complicating this return to normalcy is the fact that the sustained use of natural resources, and the pollution that has ensued, is now threatening our very existence.

Mainstream economists claim that limits on growth are not necessary. By replacing natural materials with synthetic ones, non-renewable resources with renewable ones, and devising more ingenious and efficient ways of doing things, they argue, economies can continue to expand endlessly. However, a closer look at the foundation of such arguments shows otherwise.

Is it possible to sustain economic growth by replacing fossil fuels with renewable energy? No energy source is available for free. One must expend one type of energy in order to create another. The amount generated in return for the amount used is known as 'energy returned on energy invested' (EROEI). Capturing renewable energy requires the use of at least some non-renewable resources, and these are running out. The world's supply of fossil fuel probably peaked recently and will now begin a slow decline – what is known as 'peak oil'.^v With diminishing sources of energy (and thus of income derived from exploiting that energy), there is also less money available to invest in creating new power sources. Fossil fuels are actually our most efficient (in terms of EROEI) form of energy. The most easily extracted sources are, however, in most cases now depleted. Oil and

^v The issue of peak oil is controversial. Some deny that we have reached it or that there is any threat of reaching it. Others argue that those denying peak oil are simply playing with the numbers. Only time will tell, but there are plenty of good reasons not to bank on an infinite supply of non-renewable resources.

gas companies have been forced to work much harder – in terms of financial cost and the amount of energy required – to access the remaining sources. For example, in the 1930s, the EROEI ratio for oil produced in the United States was about one hundred to one. That is, for every barrel of oil burned during the extraction process, one hundred barrels could be obtained from the ground. That number fell to less than thirty-six to one by the 1990s and to nineteen to one by 2006. A similar trend is occurring with coal and natural gas. If the ratio falls far enough, then economies based on fossil fuels cannot survive. Nor is there a technological solution available: although oil extraction techniques have improved tremendously since the early 1900s, EROEI continues to decline.¹⁸ The price of energy thus continues to increase in terms of both dollars per barrel and the amount of energy invested to get some in return. Cheap fuel can no longer spur economic growth. Meanwhile, a much larger world population and much higher per capita fuel use means that total worldwide demand for fuel continues to expand.

Alternative fuels such as ethanol and biofuels, attractive though they may seem, do not deliver the same ‘bang for the buck’ as oil. They require too much energy to extract and/or to process and distribute; by the time they are ready to use, they may even represent a net loss in terms of energy.^{vi} Just as with peak oil, all non-renewable resources will eventually decline to where their use is no longer feasible. This does not mean that they will completely disappear, but it will be too expensive to extract what remains to make it worth the cost and bother.¹⁹ What about other, seemingly renewable sources? Wind energy requires windmills; solar energy requires solar panels or some other means of absorbing sunlight, and often requires batteries to store the energy. Nothing is free: no economic growth that is based on energy is sustainable in the end.

There is a huge need to reduce waste in our production, distribution, and use of energy; less waste might mean that countries could get far more for less, and that their economies could grow more slowly and sustainably. But here too there are natural limits; eventually we run up against the law of limited return. It is not possible to reduce beyond zero. One reaches the inevitable limits to growth once one makes all possible cuts or achieves all possible gains in efficiency. Light bulbs that use far less energy are possible, but light bulbs cannot run without some sort of electricity. It is possible to reduce the number of people and the amount of materials needed to make a product, but one cannot make something out of thin air.

^{vi} And don’t forget that when food crops are diverted to fuel, the price of foodstuffs inevitably increases. It is not a viable trade-off.

While technology has delivered seemingly magical results, those results come mostly in the fields of computing, communication, and entertainment; much less success has been achieved in how food is grown and distributed, in modes of travel, in sewage treatment, or in the generation of energy. Science fiction notwithstanding, people's most basic needs are still being met in ways that are very similar to the ways that they were met a hundred years ago.²⁰ Advances in ways to share information and ideas are all very well, but people's basic needs still require energy, water, and other limited resources. In the absence of cheap fuel, we cannot sustain economic growth, as we now understand it. This does not mean that an individual country may not continue to have economic growth; globally, though, people can no longer rely on economic growth as business as usual. In a world of depleting resources, more growth in one country may actually result in greater declines in others.

The planet, despite appearances, is infinite in neither her generosity with her resources, nor in her ability to absorb all the pollution and waste that people create in their drive for ever-more wealth. In his essay, "The Economics of the Coming Spaceship Earth," economist, educator, and interdisciplinary philosopher Kenneth Boulding rephrases the opposing ways of perceiving economic possibilities in terms of cowboys and astronauts. For cowboys, writes Boulding, the world is an endless plain of sparsely populated expanses and seemingly inexhaustible resources. Everything is free for the taking; cowboys do not need to worry about waste disposal as the winds carry away the refuse. Those who work hard will succeed, and one person's success does nothing to detract from the possibilities of others; there is plenty for all. Cowboys need not worry about sharing resources: someone using more does not mean that someone else will have less. There is always more than enough to go around, and so there is no need to conserve or share fairly. Economic growth potential is essentially infinite.

The perspective of astronauts, writes Boulding, is the diametric opposite of that of cowboys. For astronauts on a spaceship, resources are extremely limited with nothing to spare and no room for waste. Wellbeing depends on how well the astronauts maintain their physical and mental health, how well they preserve available resources, and how carefully they maintain their mutual life-support system. Anything thrown away is forever inaccessible; any waste that is accumulated but not recycled fouls the living space. To survive, each astronaut must act in the interests of others. Non-essential consumption is unacceptable unless the basic needs of all are met and ample provision has been made for the future.²¹ In this case, economic growth is an oxymoron, as nothing can 'grow' without something declining in an equal measure.

The world today is a living ‘spaceship’ whose finely balanced life-support system requires care and cooperation for its survival. High levels of consumption by a few do affect others; pollution and climate change are global problems, not limited by place. Climate change driven by high energy use is helping to drown the entire country of the Maldives. When a factory dumps chemicals into a river and kills all the fish, fishermen downstream suffer. Extensive logging contributes to flooding. To an extent and for a certain period, the very rich can opt out of the system — exist, as it were, in their own separate spaceship — but even here limits exist. The rich do not have to live in the most polluted areas, but they still must breathe the air and drink the water. Catastrophic weather patterns and devastating pollution will not always pass over the wealthy. Neither can unsustainable patterns of growth be forever sustained.

Exploitation of natural resources and environmental damage — necessary accompaniments to economic growth — disproportionately harm people who are already suffering from poverty. Many of those displaced by dams (which provide electric power to help run the machines of industry), mines, and industrialization in general are indigenous people already worse off than the general population in terms of poverty and basic rights. As energy sources become more difficult to obtain, as humankind’s insatiable search for fuel drives it to ever more desperate and inhumane ways to access it, the poor and powerless are likely to suffer ever more.

There are limits to how long creativity, ingenuity, and technology will allow people to maintain and expand their current energy-intensive way of life. However, if that creativity, ingenuity, and technology is successfully redirected from consumption to wellbeing, then the end of economic growth could bring genuine and dramatic improvements in how everyone lives.

* * *

***Land is also a limited resource.** The more land that is used by the wealthy, the less land is available for everyone else. This is especially visible in cities, where the poor are crowded into slums while the rich enjoy large, luxurious apartments or urban estates; where urban parks are often poor in quality and too few in number, while golf courses serve the elite. In city after city, developers see public parks as potentially profitable land. Luxury housing springs up; gathering and recreational spaces for the poor disappear. In one city in which I worked, a senior urban planner talked of plans to “liberate land from the poor” and turn it over to developers for luxury projects. The poor are then sent off to live on the outskirts of the city, far from jobs.*

My first apartment in Dhaka was a small one-bedroom, but there had previously been about ten tenants, the entire floor covered with mattresses laid side by side.

Downstairs, there was one family per room, with space for little more than a bed. The poor face a serious housing crunch, while more and more luxury apartments for the rich continue to be built. In terms of square footage per person, the poor actually pay more than the rich for their living space.²²

Several years ago, planners created the Detailed Area Plan (DAP) for Dhaka. The plan allocated less than half of one percent of available land for four and a half million low-income urban dwellers while reserving thirty-four percent of the land for four and a half million upper-income people. That means the wealthy would have more than one hundred times the land per person than the poor. The result could be thousands of persons per hectare in the slums, as compared to the existing high-income parts of the city, which house just ninety-five persons per hectare.²³

* * *

An un-exportable model of growth and consumption

The carrying capacity of the planet depends not only on the number of people living on it but also on how much each one of them consumes. If one accepts the natural limits discussed above, then three facts become clear: 1) rich countries need to cut back on their consumption; 2) low-consumption countries cannot match the levels of the high-consumption countries; and 3) the world's population cannot continue to grow indefinitely. (I will return to the third point in the *Towards a Better Way* section.)

Consumption patterns differ greatly across countries and regions. Americans comprise only five percent of the world's population and yet consume twenty percent of its energy.²⁴ According to the United Nations Development Program, per capita carbon dioxide emissions are much higher in the forty-seven highest-consuming countries than in all other 140 countries combined. High emissions levels in countries with high rates of consumption come from activities such as driving motorized vehicles, cooling and heating homes and businesses, and producing and eating processed and packaged food. The average person in a high-consumption country generates about thirty times more carbon dioxide emissions than does a person in a low-consumption country. The average British citizen generates as much greenhouse gas emissions in two months as a person in a low-consumption country generates in an entire year, while an average Qatari (Qatar has the highest per capita emissions) does so in just ten days.²⁵ Nor is the discrepancy limited to emissions. According to Jared Diamond, geography professor and author of *Collapse* and *Guns, Germs and Steel*, "The average rates at which people consume resources like oil and metals, and produce wastes like plastics and greenhouse gases, are about 32 times higher in North America, Western Europe, Japan and Australia than they are in the developing world."²⁶

While one billion people live in high-consumption countries, most of the remaining five and a half billion live in low-consumption countries. Rapidly growing populations in these low-consumption countries pose a burden for the countries in question, but not for the world as a whole. If, for example, the population of the Sudan were to double, it would be very difficult for the country to provide even the minimal basic services to its citizens. However, since each new person would consume very little (based on the country's current consumption patterns), the global consumption rate would essentially be unaffected. Therefore, reducing the number of births in low-consumption countries will have little impact on the *international* use of resources. If, on the other hand, China were to catch up to the consumption rates of the United States, then the *global* consumption rates of oil and metals would roughly double. If India caught up as well, according to Diamond, then "world consumption rates would triple. If the entire developing world were suddenly to catch up, world rates would increase eleven-fold. It would be as if the world population ballooned to 72 billion people (retaining present consumption rates)."²⁷ If the world is to be one in which all inhabitants enjoy some basic level of wellbeing, then the world's resources need protection. They will have to be shared more equally. Those consuming the most will have to cut back significantly. Economic growth that relies on growth in overall consumption would not only not benefit the poor; it would bring about their eventual destruction. Along with everyone else's.

Pollution and other environmental damage as a by-product of economic growth

Constant economic growth has come at a high cost to the planet: natural resources have been rapidly depleted and so much fossil fuel has been burned that the environment has been harmed and climate change threatens the future of human and other life on earth. This growth also generates enormous amounts of waste, which in turn requires disposal that is itself often environmentally harmful. Pollution takes a direct human toll. In 2010, more than one million premature deaths in China were linked to outdoor air pollution, making air pollution the fourth leading risk factor for death in China that year. In India in the same year, more than half a million people died prematurely from outdoor air pollution. Outdoor air pollution, mainly caused by vehicle fumes and factories, is now the sixth most common killer in South Asia.²⁸ Add to this the more than one million deaths per year worldwide from traffic crashes and it is clear that economic growth does not come without cost.

As resources become increasingly less available, people must use more environmentally destructive ways to access them. One might accept some form of environmental damage as the necessary cost of bringing sanitation and food to all

those in need. It is much harder to argue that harming the environment is a reasonable exchange for having a greater supply of potato chips or battery-operated toys. Humankind is destroying the planet not to bring about greater wellbeing, but simply to increase production and consumption, regardless of the product's value or of who uses it. To quote UNDP, "...activities that emit carbon dioxide into the atmosphere are those linked to the production of goods, not to the provision of health and education."²⁹

Economists and others argue about the extent to which the economic models in place in India and China have succeeded in reducing poverty levels. The question is not whether they have but whether a different model might succeed just as well or even better and at less cost to the environment and natural resource base. If the cost of environmental degradation and resulting ill health were deducted from measures of progress, it would be easier to know whether the world is actually progressing, and at what cost.

What are countries supposed to develop into?

The terms 'third world' and 'first world' have long since passed out of popularity, having been replaced with 'developing' and 'developed.' The newer terms raise the question of what countries are supposed to be developing into and for how many decades one can classify a country as 'developing.' Yet most people ignore such questions and continue to believe that the obvious key to 'development' is economic growth, without a clear understanding of what the final goal should be or whether there is any likelihood of actually achieving or sustaining it.^{vii}

In its common, vague use, the word 'development' fails to address the issue of what type of lifestyle people wish to attain, what progress really means, and who decides what development actually entails. It quietly sidesteps the question of who, in a 'developed' country, can achieve that progress. Nor does it raise the question of feasibly achieving 'developed' status within existing national and global resource bases and environmental constraints. Former Peruvian diplomat Oswaldo de Rivero argues that the term 'development' suggests a linear track that all countries must follow, a continuing march of progress towards a state of

^{vii} Many people have questioned the goal of 'development' and Maxfred Man-Neef and colleagues have established the school of 'Human Scale Development' as a way of addressing fundamental human needs in opposition to the simplistic view of linear development towards a fully industrial, high-consumption economy. According to Max-Neef, people's fundamental needs are subsistence, protection, affection, understanding, participation, leisure, creation, identity and freedom. Paul Ekins and Manfred Max-Neef, eds., *Real-Life Economics, Understanding Wealth Creation* (New York: Routledge, 1992).

enlightenment, a straight line from the dim past into the ever-brighter future.³⁰ 'Development' suggests that the new and modern are always better.^{viii} Such a linear approach fails to raise the issue of people's values, such as family, community, and time for one's own pursuits. It suggests that people only care about money, and that everything that is valuable is available for purchase.

Everyone considers the United States as 'developed,' but only three countries with at least 250,000 adults (Russia, Ukraine, and Lebanon) are more socio-economically unequal. Is inequality thus a prerequisite or a by-product of development?^{ix} What if development meant something other than unsustainable rates of consumption? What if it meant that everyone had enough quality food to eat, lived in decent housing, could access quality health care, all children attended good schools, and the poor and minorities were no more likely to be jailed than the rich were. If that were the definition of development, then the United States would certainly deserve the label of undeveloped.

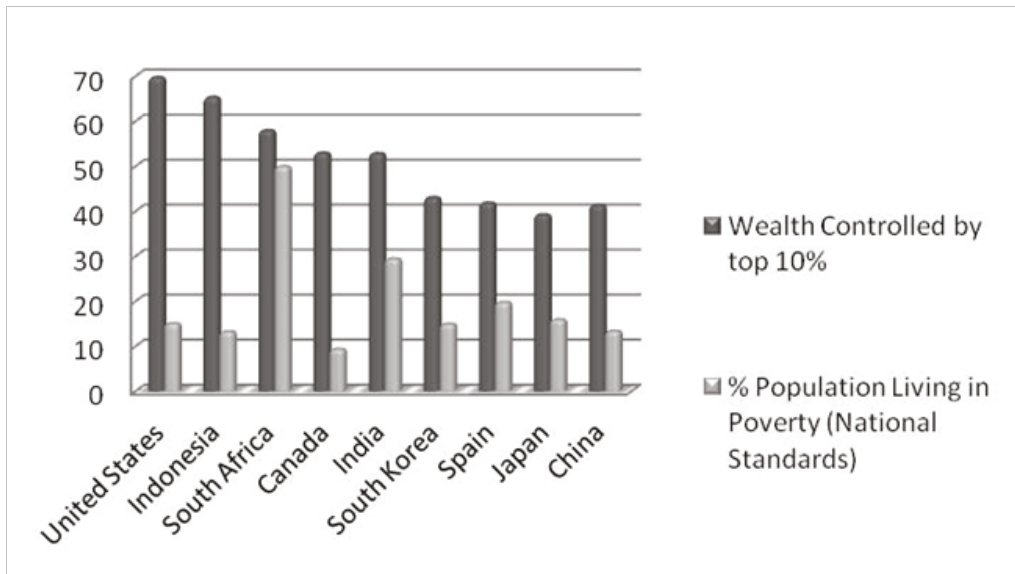
Although the American example is extreme, it is not an exception. In countries that have recently 'developed,' sizeable portions of the population remain unemployed, underemployed, or extremely poor, while the rich grow richer. Brazil, Russia, India, and China all exhibit these trends, although Brazil has recently begun to reduce its levels of inequality.³¹ Russia exhibits the highest level of wealth inequality in the world, other than a few tiny Caribbean countries inhabited by billionaires. A mere 110 Russians control thirty-five percent of all household wealth in the country.³² Meanwhile, at least eighteen million Russians (thirteen percent of the population) live below the poverty line. While the rich continue to grow richer, the poor remain about the same, meaning that an ever-growing gulf exists between the two.³³ Despite India's 'miraculous' economic progress, more than a quarter million people, or twenty-six percent of the country's population, live below the poverty line.³⁴ No country, not even in Africa, has a higher proportion of underweight children than does India.³⁵ Urban housing is unaffordable for all but the most prosperous Indians, causing many to commute for hours each day or to live in crowded slums. More Indians use mobile phones than have access to a toilet or to decent sanitation.³⁶ While many poor Indians have benefited from

^{viii} This belief in progress as a linear track, with everything new by definition being better, reflects Darwin's evolutionary theory. Yet evolution may more often have entailed random changes, not adaptive ones: those changes that were seriously maladaptive disappeared, but changes that simply were random and unconnected to improvement, but not disastrous, remained. See Stephen Jay Gould's books on this subject, including *Eight Little Piggies: Reflections in Natural History* (New York: WW Norton, 1993).

^{ix} I address inequality in more detail in the Myth on that topic.

economic growth, far too many have not, as a small elite group accumulates massive wealth. Yet India presents itself as a model of rapid development, as if the generation of wealth alone is enough, regardless of how many tens or hundreds of millions continue to live in dire poverty. While other countries may not show such extremes in wealth inequality as India, the levels of inequality in them are still striking (see Figure 2).³⁷

Figure 2: Examples of Wealth Inequality



The greatest recent success story in terms of an economy that has grown tremendously while seeing reductions in poverty is China. (Note that to the extent that China has succeeded in growing its economy, the growth is due to ignoring, rather than following, the advice of the IMF.) Although the economy has indeed grown, that growth has taken a huge toll on the environment and has led to extreme inequality and breakdown of community. A number of factors, including the need to find sufficient fuel (including coal) and the fact that an export-led economy faces troubles when the global economy slows, also threaten Chinese economic growth.³⁸ Despite all of its 'progress' and 'economic miracles,' huge swathes of poverty remain in rural China.

The definition of 'development' could, from the evidence, therefore actually mean increased access to luxury goods and lifestyles for the wealthy and modest gains for the poor that are offset by environmental and health costs, while in the worst cases the poor have suffered from the environmental costs while making no

gains at all. Is that the path that 'developing' countries should be encouraged to take? Surely, they could do better than that.

Economic growth and the never-ending rat race

"I can get no remedy against this consumption of the purse;
borrowing only lingers and lingers it out, but the disease is incurable."

– Falstaff in Shakespeare's *Henry IV Part II*

"Our economy is based on spending billions to persuade people that happiness is buying things, and then insisting that the only way to have a viable economy is to make things for people to buy so they'll have jobs and get enough money to buy things." – Philip Slater³⁹

* * *

Even when it succeeds in raising average incomes, the goal of constant growth is hardly a restful one. Because seemingly limitless consumerism is the norm while incomes are limited, people must regularly take out loans to purchase goods. Any growth in living standards often accompanies an even greater growth in debt. As college teacher and social justice advocate Paul Buccheit writes, "Today, Americans are burdened with over \$11 trillion in consumer debt, including mortgages, student loans, and credit card liabilities. As the very rich have accumulated income and wealth, the middle class has kept up appearances by taking out loans."⁴⁰ As a result, people have to work overtime or at second jobs to keep up with their payments. Running constantly on a hamster wheel may make for good GDP numbers, but how much does it contribute to quality of life? 'The economy' may benefit when people work long hours most weeks of the year while still finding themselves in debt (that is, at least until personal and corporate bankruptcy claims skyrocket). It is less certain how much individuals gain in a system that treats money as the most, or even the only, important aspect of life.

Not only does it exhaust and demoralize people, but the reliance on debt is inherently unstable. Nor is consumer debt the only source of instability. Those keen to make large fortunes often do so in socially dangerous ways. They lobby successfully to remove the safeguards meant to protect currencies and economies and to prevent predators from successfully preying on the system. Stability and growth do not go hand in hand.

Over-consumption can also directly harm people's health. Excessive consumption of food, alcohol, tobacco, and cars, to name a few, is harmful both to people and to the environment. The poor suffer the most from money wasted on addictive and harmful products and from the trashing of their neighbourhoods by the pollution and other problems related to the car (such as car repair shops, parking lots, and highways spewing pollution into low income communities). The problem is not just individual greed, but also a system that encourages over-consumption

in order to generate growth; that growth, in turn, is not only of GDP but also of waistlines, deadly crashes, alcohol-related violence, tobacco-related disease, and other unsavoury by-products.

* * *

*Researcher and paediatrician Dr. Jody Heymann is conducting the first global study on the impact of health and social policies on individuals, families, and communities around the world. The book *Forgotten Families* summarizes data from surveys conducted on 55,000 families in 180 countries, as well as original research that was conducted under the Project on Global Working Families. Heymann estimates that there are at least 340 million children under the age of six in the world who live in households in which all adults work for pay. In too many cases, those children are left under the supervision of an older sibling or simply locked up for hours each day without adequate care. Neglect leads to a number of problems including accidents, poor school performance, and disciplinary problems. While Heymann largely makes the case for extensive early childhood care and education programs (that could, she argues, be paid for with current high-consumption country agricultural subsidies), the hours the study finds parents working makes it clear that some people have virtually no waking hours with their children and would benefit from shorter hours to spend more time with family...and for all else that matters outside of work.⁴¹*

* * *

Increased income and consumption do not equal greater happiness

When people are extremely poor, an increase in income generally contributes to their happiness, as measured by people's reported contentment with their lives. There are excellent reasons for increasing the income and living standards of the poorest. But what about everyone else? Beyond a certain level, increased income no longer translates into increased happiness. There is no pre-defined level at which people feel contented. People's perception of their economic status is largely comparative; they wish to feel or appear to be better off than their peers are. In Japan, as real per capita income increased five-fold between 1958 and 1987, and as ownership of consumer goods (refrigerators, washing machines, TVs, and cars) rose from one percent to about sixty percent of households, the perception of wellbeing (satisfaction with life) remained constant.⁴² Richard Easterlin, professor of economics at University of Southern California and a Distinguished Fellow of the American Economic Association, argues that "the magnitude of Japan's subsequent advance in living levels does encompass a transformation from a 'subsistence level' of consumer durables to plenitude, with no impact on subjective wellbeing. One would suspect that the spread of consumer durables among the Japanese must have involved widespread satisfaction of perceived needs" – yet it did not.⁴³ Easterlin cites evidence that material norms rise at the same rate as incomes,

meaning that people simply expect more as more money or products become available. While, in general, those whose incomes are higher are happier than others, "raising the incomes of all does not increase the happiness of all."⁴⁴

The lack of a connection between income and happiness or wellbeing is also due in part to the difference between actually having a higher income and the efforts spent to gain that higher income; those who wish for more money tend to be "less happy and more vulnerable to other psychological ills than individuals who do not crave higher incomes."⁴⁵ The billions of dollars spent on advertising, plus all the messaging that comes through social media, TV programming, and movies, tend to reinforce the same message: wealth equates with happiness, and shopping is the most delightful of all activities. If those messages really were true and if people really did enjoy the pursuit of ever-greater wealth, then perhaps the media would not have to spend so much money bombarding people with the message that shopping will make them feel better about themselves.

How much is enough? As Schumacher writes, the level at which people can say that they have enough is by no means easy to identify when materialism is the goal: "...how could it be that the frenzy of economism does not abate as higher 'standards of living' are attained, and that it is precisely the richest societies which pursue their economic advantage with the greatest ruthlessness?"⁴⁶ Media and advertising certainly contribute to the perception that others have more, and that more is always better; as a result, people learn to never be content with what they have, no matter how much that is. Obviously everyone cannot have more money (or stuff) than everyone else.^x Since it is impossible for everyone to have above-average incomes, simply raising incomes (once a decent benchmark is reached) will not achieve greater happiness. Once we succeed in ending abject poverty, it is time to look at other ways of satisfying people's wants than through encouraging ever-greater consumption. Greater wellbeing – better schools and health care, more pleasant parks and other public spaces, more scope for public involvement in government, stronger and safer communities, and so on – could have a significant impact on happiness.⁴⁷ It is time to try these measures.

^x And if there were no more poor people, who would clean our toilets? Social policies that result in overall high levels of wellbeing in Western Europe are facilitated, arguably, by high immigration rates, so that there is always an underclass to perform the tasks that the better off now reject. My own answer to this problem, rather than maintaining an underclass (be it of women, the dark-skinned, or recent immigrants), is to accept the importance of the unpleasant tasks and share them more equally (perhaps a rotational system such as is used in Israeli kibbutzim), while trying to see if we can reorient our lifestyles to remove the need for some of the least pleasant tasks.

Resource constraints mean that endless consumption is neither attainable nor sustainable

In addition to global constraints related to energy are all the local resource constraints that make the Western lifestyle unattainable for most of the world's population. Countries rich in fresh water may not have to worry about water conservation, for example, but those with little water do not have that luxury. According to UNDP, an American's average water use is almost six hundred litres per day, a rate more than thirty-eight times that used in countries such as Angola, Cambodia, or Haiti.^{xi} Let us not even talk about Mozambique, at four litres per day...which hardly seems enough to survive.⁴⁸ It is clearly ludicrous to suggest that the population of Mozambique (or of any other water-poor country) should aim for a Western lifestyle, including Western flush toilets.^{xii} Cutting back on energy use in countries such as the United States would help other countries; reductions in water by the high consumption countries would do little to help others. What would help is not to push the Western lifestyle on places that clearly cannot afford it. "Yet," writes Diamond, "we often promise developing countries that if they will only adopt good [sic] policies – for example, institute honest government and a free-market economy – they, too, will be able to enjoy a first-world lifestyle. This promise is impossible, a cruel hoax: we are having difficulty supporting a first-world lifestyle even now for only one billion people."⁴⁹

Meanwhile, water-poor countries use some of their precious water to grow foods or other crops that they export to water-rich countries. Food-growing farmers in parts of Kenya face drought, while other others rely on fancy irrigation schemes to grow flowers and passion fruit for export.

Even in countries with limited resources, average consumption masks enormous differences. For instance, in Nepal, although everyone's electricity turns off for about twelve hours each day, a reliable water supply is available only to the wealthy. While it flows freely in the big hotels, much of the population of Kathmandu gets little or no water from their taps most of the day. We must address these inequities in resource use both globally and nationally. The world's primary focus on economic growth and trade means that limited resources are being used not to feed the local population or to improve overall wellbeing, but rather to generate wealth for a few. Yet another benefit brought by 'economic growth.'

^{xi} Water use refers to industrial, agricultural, and household use.

^{xii} Most flush toilets require between six to thirteen litres of water per flush; even high-efficiency toilets use almost five litres per flush.

Would it hurt to cut back on consumption (and economic growth)?

Can society ‘afford’ not to have economic growth? A more appropriate question would be, could society afford to have it? The United States uses fifty-seven times as much energy per capita than does Bangladesh, sixteen times as much per capita as Indonesia, and twice as much as the United Kingdom.^{xiii} There are strong cases for getting Americans to use less, including reducing the American contribution to climate change and making more global fuel supplies available to countries that currently use vastly less energy. At the policy level, decision makers need to drop the goal of economic growth and replace it with one of promoting wellbeing. Less national obsession with production would set the stage for reductions at the individual level as well. But cutting back greatly on resource use involves some complications. First, there is the problem of getting people to agree to the goal, which can be difficult when politicians and the media persuade Americans that reductions in energy use are unnecessary, unpleasant, or – more commonly – harmful to the economy. Second, there is a big difference between agreeing to an overall goal and actually making the changes needed to achieve it. Third, even where people wish to make changes, such changes may be difficult or even impossible given the design, layout, and customs of urban and rural America. The lack of good infrastructure for public transit, cycling, and walking necessitates driving private vehicles. Common agricultural practices require heavy application of petroleum-based fertilizers, as well as fuel to operate farm machinery. Urban sprawl means that food travels long distances. The typical diet of heavily processed and packaged foods means that eating is energy-intensive at many levels.^{xiii} Wearing ‘corporately-appropriate’ suits in the summer requires air conditioning.^{xiv} How exactly are Americans to reduce consumption? What about people in other nations who are eager to match the vaunted American lifestyle?

Life does require consumption, which in turn requires resources and generates waste. However, the differences in both the scale and the kind of consumption and waste can be enormous. It is the difference between drinking a glass of water from the tap and drinking from a throwaway plastic bottle whose manufacture requires chemicals, energy, and water. It is the difference between riding a bicycle and driving a car, between over-cooled/over-heated buildings and adjusting the temperature and one’s clothing to be more in synch with the climate. It is the

^{xiii} Estimates vary, but one figure suggests that it requires fifteen calories of fuel to produce one calorie of food. Eric Garza, “The Energy Cost of Food,” *Resilience*, July 22, 2013.

^{xiv} There is a big difference between the use of energy to stay warm enough for health and survival, and the use of air conditioning or heating simply to increase personal comfort or to allow for clothing inappropriate to the climate/season.

difference between eating a diet that mainly consists of grains, legumes, fresh fruits and vegetables bought from a small local organic farm that utilizes human and animal labour versus eating heavily processed, chemical-laden foods that have been transported thousands of miles. And so on. People need to become far more conscious of what they eat and use, from production through shipment to consumption and disposal. Cutting back would not likely be as painful as many may imagine, and could result in some significant benefits. Jared Diamond (somewhat optimistically) argues,

Real sacrifice wouldn't be required...because living standards are not tightly coupled to consumption rates. Much American consumption is wasteful and contributes little or nothing to quality of life. For example, per capita oil consumption in Western Europe is about half of ours, yet Western Europe's standard of living is higher by any reasonable criterion, including life expectancy, health, infant mortality, access to medical care, financial security after retirement, vacation time, quality of public schools and support for the arts. Ask yourself whether Americans' wasteful use of gasoline contributes positively to any of those measures.⁵¹

That there is at least some demand, even in the United States, for a simpler, less cumbersome, less materialistic lifestyle can be seen in the growing circulation of simple-living magazines. People are growing tired of working hard just to buy more 'stuff,' and of fearing what their lives will be like after retirement. Declines in consumption could be at least partially offset by increases in other aspects of wellbeing: less driving would not be a sacrifice if there were better public transit, cycle paths, and walkways; fewer home appliances might be compensated by more community services and interactions; less industrial and more fresh and local food would mean tastier food and better health; less heating and cooling could be offset by more climate-appropriate clothing. Moreover, most people on the planet do not have the option of consuming more; it is the questionably lucky few who are in a position to reduce their consumption – while virtually everyone would gain from that reduction.

Much of what people today consider unsophisticated or hopelessly outdated needs to become mainstream, including chemical-free agriculture, cycling and walking as transport, and repairing items rather than throwing them out. People will have to cut back on their consumption, including by buying fewer imported items and relying more on local products and services. Local purchases have the additional benefit of keeping money circulating within the community, whereas mass-produced products typically enrich only corporate executives and shareholders.

How can people get from here to there? If enough people make enough noise about the need for a change, they could eventually bring it about; the process is already underway with many debates about the need for a better measure than GDP. The debate about GDP must highlight the importance of aiming not for increased consumption (no matter of what, by whom) but rather for increased wellbeing. As more people bring more ideas to the table, we will get closer to making the needed changes.

Is economic growth about production or is it about employment?

Ironically, increases in production, at least in high-consumption countries, are often justified not based on any real desire for the products themselves but rather on the need to create jobs. Decades ago, philosopher Hannah Arendt wrote: "Today it is almost universally accepted that we must make cars to keep jobs, not to move people about." Arendt described how the obsession with production and consumption results in "a huge economy of waste." In such a system, she continued, progress means that "to stop going, to stop wasting, to stop consuming more and more, quicker and quicker, to say at any given moment enough is enough would spell immediate doom."⁵²

Economic growth occurs largely through mechanization, which allows for higher levels of production (output) with less labour (input). While machines can enhance the productivity of people and thus increase their earnings, as well as protect them from the most dangerous and painfully boring jobs, they also replace human workers. The tax structure in many countries furthers this shift by making it far more expensive to hire people than to use machines: governments provide tax cuts for automation to attract investment but fail to provide similar incentives to encourage the hiring of people.^{xv} At the same time, employee benefits such as health insurance and leave – unless provided directly by government, funded in part through corporate taxes – have a financial cost, as do safety regulations, and both kinds of costs cut into profits.

What are the consequences of economic-growth-through-mechanization? In the United States, economic growth has occurred along with a one-third drop in manufacturing employment in less than twenty years. In 1992, there were more than eleven million people employed in manufacturing jobs; that number fell to just over ten million in 2000, and to less than seven million in 2009.⁵³ With no jobs to replace those that have been mechanized, the negative economic and social

^{xv} Why do governments tax capital at such low rates and labour (income tax) so much higher? Obviously, it is about power, that is, the ability to lobby for the benefits you want. Machines never protest for higher wages or better working conditions.

effects on communities and the country have been serious. The problem has been addressed, in part, not by efforts to increase other forms of employment, but rather by redefining the term 'unemployment.' By removing the chronically unemployed from the statistics, the formal unemployment rate appears to be lower than it actually is; the problem can thus be safely ignored.

Automation reduces the connection between consumption and employment. Given that consumption is encouraged in part because of the idea that it will create more jobs, it is important to consider whether reduced consumption would actually result in fewer jobs. An economy that is focused on the reduced use of resources – through more repair and reuse rather than production – would actually result in more employment, as it requires individual labour to repair something that can be mass produced mechanically. Items that are mass-produced generate few jobs, as do foods grown on factory farms. Small local production results in more employment. It is hard to imagine going back to the days when individuals made shoes for others, but a few pairs of tailored shoes that are truly comfortable and durable could replace a far larger number of ill-fitting, mass-produced ones. Repairing existing shoes (still a common business in much of the world) would result in employment as well as cost savings. More employment, lower costs, and more goods is not a feasible combination, but more employment combined with a smaller number of higher quality goods certainly is.

Why all the ongoing attention to the goal of economic growth?

Yet another indication that there is something wrong with the goal of economic growth is the fact that we are not supposed to question it. Policymakers, international institutions such as the World Bank and IMF, and even most in the NGO community take it for granted. Newspaper headlines refer to ways to achieve economic growth; they never question the need for it. When people lose the right to question its assumptions, economics should no longer be called a science but rather a religion.⁵⁴ Censorship of ideas is dangerous; in this case, almost murderous. As American economist and University of Texas professor James Kenneth Galbraith writes,

What is the purpose of the myth? It serves...mainly as a device for corralling the opposition, restricting the flow of thought, shrinking the sphere of admissible debate. ... This in turn limits the range of presentable ideas, conveniently setting an entire panoply of reasoned discourse beyond the pale of what can be said, at least in public, by reputable people.⁵⁵

All points of policy should be open to discussion and debate. Those who wish to stifle debate either by refusing to produce evidence or by attacking the questioner probably have something to hide.

If I sound particularly bitter about the subject of economic growth, it is due to my fatigue of hearing it inevitably accepted as the only way to achieve poverty reduction. The strength of my arguments is in proportion to the power of the belief in question. When for years we have been told the same lies, it takes great effort to recover our freedom of thought. Meanwhile, at least three simple reasons explain why so many people preach economic growth as the main or sole antidote to poverty, and more broadly, as the only potential economic goal of any nation.

First, economic growth will, people believe, create more wealth. With more to go around (a bigger pie to divide), redistribution will not be necessary. The rich can continue consuming at current or even higher levels, the middle class can continue to try to catch up, and the poor (who, after all, do not tend to vote or have any influence on policy) can fight for the scraps. Somewhat surprisingly, and an indication of the widespread acceptance of the idea, is the fact that defenders of economic growth extend beyond those who directly benefit from it. After all, it is far more attractive to those with limited means to imagine that they will someday be rich than to be satisfied with the idea of greater equality.

Second, if endless growth is necessary and possible, people can ignore the need to conserve limited resources. Once people are convinced that economic growth is essential, it is conservationists, not the very rich, who become the enemy of the poor and middle class. Any attempt to slow down business and industry can be portrayed as an attack on the engine of growth, on the hopes and dreams of all. Difficulties in finding a job or figuring out how to meet monthly expenses are hard to ignore. It is far easier to ignore the extinction of species or even extreme weather events (except when you are directly affected by one). Once people posit economic growth as an implicit need, its proponents need not defend their positions. It is those who argue for a stable state economy or even shrinking economies that need to defend their ideas.

Third, given current monetary systems, people have no choice but to promote growth. For the most part, money is created not by printing notes but by giving loans. Under current laws, banks can lend out far more money than they keep in reserve. However, those loans carry interest. The interest charged on those loans is essentially 'new' money. If a business takes out a loan, the only way for it to generate the money that pays the interest is to expand the business. When individuals take out loans, the only way to pay them back with interest is through increasing income or cutting back on other expenditures. When an individual takes out a college loan, the anticipation is that the increased income opportunities that come with the degree will allow him/her to repay the loan. Credit card debt operates with the same principle, just at higher interest rates. The system requires growth.

As long as society remains focused on the moving target of economic growth, it will not succeed at increasing wellbeing or preserving the environment. The first step is to change people's thinking. Targets that are more appropriate will lead to achievements that are more valuable.



Towards a Better Way Part I: Maximize Wellbeing

"There is no imperative for the economic system to be geared to profit rather than people." – Paul Ekins⁵⁶

"An entirely new system of thought is needed, a system based on attention to people, and not primarily attention to goods—(the goods will look after themselves!)."
– EF Schumacher⁵⁷

* * *

What might a goal of increased wellbeing for all look like?

If economic growth does not lead to improved wellbeing and is destroying the world's resource base and even the planet, what would be a better option?

If people care more about wellbeing than about a rising GDP, then polluting the environment to generate wealth, firing workers to increase productivity, and allowing fast food and tobacco companies to profit from poison seems much less sensible. If people value life and health over money, then they will make radically different choices in many parts of their lives. However, to reject the economic growth model, a better one must replace it. The alternative to economic growth is an approach focused on meeting people's basic needs. Rather than try to make everyone rich and to maximize consumption, the focus should be on direct attempts to increase people's wellbeing.

* * *

My office in Dhaka is in a low-income area that people refer to as a slum. The buildings are small and built closely together. The ground floor is usually occupied by a shop with housing above. Some of the shops are so small that nearly all the goods are within arms' length of the owner. Almost everyone gets about by foot, bicycle, or bicycle rickshaw. A large bare playing field is full of children and youth playing cricket and riding bicycles, while women walk around the perimeter. The streets remain lively late into the night. People seem to know each other, and children roam about freely. The residents probably live in small and not very comfortable homes with very few possessions. They have at most a fan to cool themselves and wash their clothes in a bucket. But as long as they are able to meet their basic needs, it is difficult to see how they are deprived in any important way, and in many ways their community seems far stronger and 'wealthier' than the upper middle class neighbourhood in which I live.

* * *

A system focused on wellbeing would measure success by GNH or some similar measure, not GDP.^{xvi} It would emphasize government provision of a variety of high quality, free services, especially to the poor. It would classify as wasteful government spending used to subsidize corporations or to expand the military. Its taxation policy would prevent all the wealth going to the very rich and ensure sufficient funds for government services. It would give governments the power to regulate industry. It would emphasize public transit, walking, and cycling over the automobile. It would replace the current focus on material wealth with a greater focus on other forms of wealth, especially on thriving communities. It would create opportunities for recreation and interaction, and promote a cleaner and safer environment. It would nurture cooperation rather than emphasize competition.

While growth in production and consumption is not sustainable, growth in wellbeing is. It is possible to achieve an increase in the number of people who enjoy a modest but overall satisfying lifestyle that, while involving fewer consumer goods, would offer significant advantages in terms of better health, education, and job opportunities as well as more friendly and cooperative neighbourhoods. Such a model would include better government services and more opportunities to enjoy one's family and a variety of leisure pursuits. This is not pure fantasy. Western Europeans, on average, hardly lead materially impoverished lives, yet they drive far less than Americans, have fewer appliances, and work far fewer hours. On the flip side, albeit overworked, Americans get to sit longer in bigger cars and, when they finally get home, they can eat processed foods and use a dishwasher and vacuum cleaner to compensate for their lack of time to cook or clean, and then collapse from exhaustion in front of the television (and watch lots of programs about the lifestyles of the rich and famous that they wish to emulate).

Europeans do pay higher taxes than do Americans. But Europeans receive a lot in return for those taxes. As a result, each individual needs less money, as she does not have to buy all those services that the government provides. Nor are the poor, the unemployed, the sick, and women punished to the same extent in Western Europe as they are in the 'free' and 'democratic' United States. (Americans do enjoy some real and valuable freedoms. Unfortunately employers also 'enjoy' the freedom to pay low wages, to refuse to provide paid maternity leave, and to deny workers safety protections.) If people were less concerned about productivity and more concerned about wellbeing, it would be easier to show the value of policies

^{xvi} These methodologies are described earlier in this book.

such as workplace child care, a shorter work week, more generous vacation and leave allowances, a higher minimum wage, and a basic benefits package. Although the European model is more sustainable than the American one, it is not replicable internationally: its resource use, low compared to America, is still high by international standards. What currently 'developing' countries could aspire to is a level of government services and social policies similar to what is available in Western Europe, combined with significantly less consumption than is currently found in either Europe or North America. Fortunately, people in the low-consumption countries already have significant expertise on making do with less. Perhaps some could find employment in teaching those skills to their more wasteful peers in other countries.

Could a basic needs approach work?

Countries that focus on meeting basic needs rather than on encouraging industrial growth have done quite well in health and education, despite having few material resources compared to the high-consumption countries. The main historical examples are Cuba, Sri Lanka, Costa Rica, Vietnam, and the state of Kerala in India. Some have since strayed from that approach – and are now seeing increased income inequality – but their experience demonstrates the feasibility of the model. The Indian state of Kerala is typical of these successful outliers; it does far better on measures of population health, education, and political involvement than does the rest of India due to its direct focus on those measures.

* * *

“Perhaps the real significance of a multidimensional approach to poverty lies in the fact that it allows for an expanded public policy agenda. In many cases where social performance indicators, such as health and education, far exceeded expectations based on levels of gross national product (GNP) per capita, these results were achieved through transformative social policies, for example, in China, Costa Rica, Cuba, Kerala State of India, Sri Lanka and many formerly socialist countries. Those policies, which were holistic, inclusive and universalistic, can provide lessons to developing countries struggling to overcome poverty in its various dimensions. Many of the major social transformations were achieved despite low average income levels. Conversely, many countries that raised average income levels significantly but failed to adopt a more transformative social agenda remained underperformers in terms of health, education and social inclusion.

This highlights the limitations of approaches that are excessively focused on income.”
– UNDP Department of Economic and Social Affairs, Rethinking Poverty, Report on the World Social Situation 2010

* * *

Brazil, which for years has experienced rapid economic growth, could easily have continued along its path towards greater income inequality. Instead, the government chose to focus on improving the lot of the poor and increasing the middle class, while worrying less about GDP. As a result, unemployment has fallen greatly and the middle class has increased; over forty million people have risen out of poverty. Extreme poverty has declined by eighty-nine percent. While GDP growth has slowed, per capita income has continued to grow. The government has addressed extreme poverty directly through the program Bolsa Familia, which gives money to mothers in poverty in return for them sending their children to school and making use of health services. While many economists scold Brazil for failing to prioritize economic growth, others realize that the country has achieved something remarkable.⁵⁸

People can ‘buy’ a lot of wellbeing when they invest in it directly, or achieve less by waiting (and waiting) for increases in wealth to bring it about. What Cuba and other socialist countries have in common is that their governments focus first on providing basic services to their populations. They have built schools and health clinics and staffed them with well-trained teachers and health workers, enacted nationwide vaccination campaigns, and provided health and education at no cost. They have ignored the advice of the World Bank and IMF on collecting user fees from the poor and on privatizing various services and industries. According to an article about Cuba in the *International Journal of Epidemiology*,

In virtually every critical area of public health and medicine facing poor countries Cuba has achieved undeniable success; these include most prominently – creating a high quality primary care network and an unequaled public health system, educating a skilled work force, sustaining a local biomedical research infrastructure, controlling infectious diseases, achieving a decline in non-communicable diseases, and meeting the emergency health needs of less developed countries.

Nor is there a reason why other countries could not achieve similar benefits: “If the Cuban experience were generalized to other poor and middle-income countries human health would be transformed.”⁵⁹

Why do we not hear more about a basic needs approach?

The ‘problem’ with approaches that focus on wellbeing rather than on income is that they offer only very limited scope, if any, for the few to amass great wealth. They reduce the possibility of foreign investors making a fortune. So it should not be a surprise that the rich prefer a more market-based model for poverty reduction (helping people to earn the money to buy what they need and want from private companies) rather than a public service approach (greatly reducing what people

need to buy to survive and thrive). Wealthy businessmen and giant corporations control much of the media, and they are naturally loath to report about anything positive in socialist countries, or those that reject the 'free enterprise' model. One has to do extensive research to find information about the good things happening in socialist countries. When Americans think about Cuba, they are encouraged by the media to think of repression and lack of freedom, not of quality health services. That the Cuban government does much to improve the health and wellbeing of the population gets little if any media attention, yet its achievements are such that the National Health Service of the United Kingdom visited Cuba to see what it could learn about the Cuban health system to improve the British one.⁶⁰

In countries like China and India, on the other hand, the focus is on greater industrialization and more jobs, regardless of how miserable those jobs may be, and of how much of the wealth generated floats up to the top. Ignored are such possibilities as taxing the growing and fabulously wealthy elite and corporations in order to provide basic services to all citizens and to allow people to continue with more traditional ways of earning money. Those traditional income sources, though not lucrative, might provide a higher quality of life when complemented by free government services than does the current capitalist model of each person trying to earn enough to pay for everything. Attempting to make everyone wealthy through free market economies is a pipe dream, an opiate to keep the poor from demanding their rights.^{xvii}

The fact that the United States focuses so strongly on vilifying socialism proves that it must have some popular appeal. The threat to capitalist wealth posed by the appeal of socialist policies – and of a basic needs approach – explains the ongoing need for the conventional, corporate-controlled media to attack such approaches. Why fight a war in Vietnam, why demonize the former Soviet Union and Cuba, why attack the successful systems of socialized health care in all other western democracies, if the people in those countries were so miserable that their political system or approach to health care had no chance of spreading? Whatever the shortcomings of the governments of those countries, it is clear that powerful elements in the United States fear the potential popular reaction to the possibility of universal free health care, worker ownership of enterprises, and similar policies.

It helps to remember that much of what we see on the news and in newspapers is about selling ideas and products, including ideas and products that are destruc-

^{xvii} In this sense, TV and the Internet have replaced religion as what Karl Marx famously referred to as the opiate of the people.

tive to the self-interest of the ninety-nine percent. It is important to conduct independent research, check the statistics, and question the assumptions underlying news reports. It is important to ask why, if social policies are so bad for the economy, the United States is the only Western country not to have a strong set of them. It is important to vote for politicians who are working towards a better system, and keep reminding them that voters expect them to fulfill their campaign promises. There will be many obstacles in doing so, including people's nearly instinctive dislike for paying taxes. But difficulty does not guarantee defeat.

Using less rather than producing more

The idea of producing a smaller number of high quality goods and services and having more employment raises the difference between what people have come to expect and what they actually need. Taking all of people's desires equally seriously is neither feasible nor affordable.^{xviii} Fewer mass-produced items and more handmade ones, complemented by more repair, would benefit employment and the environment. In addition, while people do demand various things (more parking, more road space, more stuff), there is no need to take all such demands more seriously than the demands for affordable housing, good schools, and attractive public spaces, to name a few.

One of the specific areas in which consumer pressure results in untenable policies is in electricity production. Consumers want more electricity; governments rush to provide more. However, if the wealthy continue to increase their use, the poor may still not get even a small supply. Reducing waste, some of which occurs even before the service reaches the consumer, is rarely proposed as a solution.^{xix} Even those who are interested in renewable energy tend to ignore the issue of how to reduce the wastage of existing energy supplies. A form of rationing, either direct or through pricing, on the other hand, can help to ensure that the poor get at least some of the essential services that, like electricity and water, are often in limited supply.

^{xviii} As it is, we ignore many of people's needs and wants. We ignore the need for affordable housing, health care, and quality schools. We ignore the need for pleasant outdoor recreational places that are accessible to all. We ignore the need for walkable and cycle-able neighbourhoods. A quick look at the 'urban interest' headlines in newspapers around the world gives the impression that the biggest problem people face is not any of the above-mentioned, but simply traffic. And the solution they offer is to build more roads, not to provide better transport options.

^{xix} Electricity that never makes it from the generating plant to the power grid and leaky water pipes are typically presented as 'normal' costs of these services for which the consumer must pay.

Since rising expectations and rising populations will continue to drive up the demand for resources, limits and rations are unavoidable. Household electricity use could be priced so that minimal use is free and the unit cost continues to rise with the amount used, so that those wishing to use energy-intensive appliances must pay a significant premium. The approach would be particularly successful if governments invested the high tariffs in renewable electricity production and ways of reducing waste in the system. Urban planning guidelines, for example, should ensure that buildings get sufficient natural light and breezes, and have proper insulation, to reduce the need for electricity.

In other words, what if instead of asking “Isn’t it a pity the poor have so little,” people were to ask, “Isn’t it a pity that we waste so much and some people have so much while others don’t have enough?” Such rephrasing may help to illustrate why producing more wealth, supplying more electricity, building more roads or adding more car parking instead of focusing on meeting people’s basic needs first will not make poverty or shortage go away. Increasing supply is all too likely to result in those who already had plenty having more while the poor still do not have enough.

A note about population growth

Efforts to improve wellbeing will necessarily have to consider not only per capita consumption levels but also the issue of population growth. The subject is controversial, partly due to various religious objections to contraception and partly due to the origins of the family planning movement in eugenics, which sought to breed better humans, including by limiting reproduction among the poor. Both Margaret Sanger and Marie Stopes, early pioneers in the birth control movement, promoted eugenics. Suggesting that the poor are bad parents or are not entitled to have children puts one on dangerous territory and should be avoided. The issue of population growth is controversial also due to the sometimes coercive use of family planning by some governments that have been keen to limit their populations without paying sufficient attention to the most humane way of doing so. Sensitivities notwithstanding, the issue is too important to ignore.

In the countryside, children represent low-cost labour, so it can make economic sense to have many children. Where infant and child mortality rates are high, people may have more children than they desire simply to ensure that at least a few survive to adulthood. However, as people migrate to the cities (more than half the world’s population is now urban), the cost of raising children rises. Further, the status of women will always be low if they have no control over their fertility.

It is the responsibility of governments to ensure that quality family planning services are available. In many cases, they deliver family planning services so poorly that simply improving those services could bring about a dramatic reduction in the birth rate, without the use of coercion.⁶¹ Empowerment of women will also facilitate their ability to decide to limit births. As to whether it is more inhumane to use coercion to lower the birth rate or to allow people to live in extreme poverty due to limited resources and large populations, I leave it to my reader to determine. It does little good to reduce the population of the poor if the rich continue to consume at current levels. The reverse is also true: redistribution may be of little use if the population continues to grow inordinately.

The issues of population and resource use need to be kept separate. Global issues of resource use have far more to do with per capita consumption than with the size of the world's population. Local resource use, on the other hand, depends both on population levels and on individual consumption. The two issues require two different solutions. The high-consumption countries need a dramatic decline in per capita consumption accompanied (in some cases) by decreases in population growth.^{xx} All countries need strong programs for family planning, so that everyone who wishes to practice contraception can do so, regardless of their level of income.

Can governments afford to invest in wellbeing? Part 1: Taxes

It costs money to improve education and health care. It also requires a greater acknowledgement of their importance, since money alone cannot solve problems related to mismanagement, corruption, and general ineptitude. A goal of wellbeing would mean not only higher social budgets but also increased priority accorded to social programs. However, how can cash-strapped governments, especially in low-consumption countries, afford to pay for universal health care, education, and social services? Two main mechanisms are available. The first is to raise more money through higher taxes on those who can most afford to pay. The second is to reduce spending on wasteful and harmful items, including subsidies for the wealthy.

There are, of course, obstacles. Among them are 'convenient beliefs' – those beliefs that allow the believer to defend his or her own advantage while appearing to act in the interest of others, or what John Kenneth Galbraith describes as "what the socially and economically favoured most wish or need to have believed."⁶² It is convenient, for example, to believe that the economy will prosper if people pay

^{xx} Population size is not an issue in countries with very low birth rates, whose populations are only maintained by immigration.

fewer taxes and spend more as they please. People do not like to pay taxes, especially when wealthy individuals and corporations can evade them^{xxi}, and when they hear constantly in the media that government is inefficient, ineffective, and wasteful. This is yet another reason to fight against anti-government propaganda and to have a strong citizenry supporting government to implement high quality services that will benefit everyone.

* * *

Although a more progressive tax structure would result in less luxury for those at the top, the lifestyles of billionaires and even millionaires would unlikely be greatly affected even if they paid taxes of over ninety percent on their incomes.^{xxii} Bill Gates is not quite the richest man on earth (Carlos Slim of Mexico repeatedly wins that title, with a net worth of \$73 billion), but he is the richest American. Consider this: "If Bill Gates were a country, he would be the 37th richest country on earth." "Bill Gates is 57 this year. If we assume that he will live for another 33 years, he has to spend \$6 million per day to use up all of his wealth." "If he gave everyone on Earth \$10 this Christmas, he'd still have \$2.26 billion left."⁶³

* * *

The potential for raising money through taxes on the extremely rich is enormous. The total net worth of the richest 1,426 people in the world is \$5.4 trillion.⁶⁴ Taxing them at even thirty-five percent of their annual income would yield an enormous amount of money for starters.

Hint: *It is worth pondering why many people who are not wealthy object to higher taxes on the rich. Does it really have anything to do with what is likely to help/hurt the economy, or are they susceptible to the belief that someday they too will be rich and they want to be sure to enjoy all their future millions? If we are ever going to work successfully towards higher tax rates on the rich, we have to figure out how to get a wider swathe of the population, including those who would benefit directly, on board.*

* * *

^{xxi} For example, American billionaire Warren Buffett earned almost \$63 million in 2010; of that total, his taxable income was just under \$40 million, and his federal income tax bill was only seventeen percent of his taxable income. For the American middle class, the tax rate is about thirty-five percent. However, Buffett, unlike most of the rich, believes that the wealthy are not taxed enough. "Billionaire Warren Buffett Earned \$62,855,038 in 2010." *CNN Money*, 12 October 2011.

^{xxii} Note the important difference between taxes on incomes and on salaries. The very wealthy tend to make most of their money from investments. That income (such as capital gains) needs to be taxed at least as much as salaries in a truly progressive system, whereby a ninety percent tax, for instance, would cover all forms of money making by the very rich. Various loopholes that allow the wealthy to avoid paying taxes should also be plugged.

Governments should only impose increased taxes on the middle class, meanwhile, in return for expanded services that result in reduced spending on essential services such as education, health care, and daycare. Done right, a restructured tax system would have a number of desirable effects: the poor would benefit directly by having both more cash (from more generous 'social welfare' programs) and better services, the middle class would see its taxes go up by less than its expenses would go down, and the rich would have less excess.

In addition to taxing the super-rich at a much higher rate, we need to recapture the sums that vanish through tax evasion. As explained in depth in the Oxfam report, *Releasing the Hidden Billions for Poverty Eradication*, countries and cities compete with each other to attract foreign investment.⁶⁵ They do this by offering cheap labour, weak protection for labour (including a prohibition on unions), and weak environmental protection. They also attract investment by offering low tax rates on capital, including a range of 'tax holidays' and other benefits. The result has been a widespread reduction in tax rates for foreign-owned subsidiaries and the affiliates of transnational companies. Corporate tax rates for American affiliates operating in low-consumption countries, for instance, fell from fifty-four percent in 1983 to just twenty-eight percent in 1996. When governments try to raise tax rates, corporations often scare them with threats of decamping and cutting jobs.

The Oxfam report finds that low-consumption countries lose billions of dollars each year through two forms of tax loss: 'tax competition' (the common policy of lowering corporate taxes to attract investment) and untaxed capital flight (transfer of funds out of a country without paying tax on it). There are two potentially 'easy' ways for low-consumption countries to raise more funds. First, they could tax foreign corporations at a higher rate. Second, they could begin taxing capital flight. Using these two measures alone, governments could double their corporate tax revenues. These figures do not include other ways in which corporations (and individuals) evade taxes and are subsidized by governments. For example, many corporations register their operations in tax havens – countries that do not tax corporations. This may involve as little as maintaining a post office box in the country. According to a more recent Oxfam report, wealthy individuals have stashed away at least \$18.5 trillion (yes, trillion) in tax havens. If governments collected tax on that amount, they could have over \$156 billion more in tax revenue.⁶⁶

According to John Christensen, Director of Tax Justice Network, governments lose an enormous amount of money due to offshore tax havens that essentially enable money laundering and tax evasion. If all the assets in such tax havens were taxed even at the low rate of thirty percent, an estimated \$255 billion a year could become available.⁶⁷

What might the low-consumption countries of the world do with an additional \$156-255 billion? Those amounts would certainly go a long way to improving wellbeing around the world. As mentioned in the Inequality Myth, UNICEF estimates that it would cost \$250 billion to provide sanitation facilities and safe water for all in need. Closing tax havens requires international cooperation to force corporations to pay taxes wherever they operate, and to ensure that individuals pay taxes on all their wealth. If activists then succeeded in convincing governments to invest that money in wellbeing, the lives of the poor would improve dramatically.

Can governments afford to invest in wellbeing? Part 2: Other approaches

It is a truism that the world is inter-connected. What people are less likely to acknowledge is the negative impact that many policies and practices in high-consumption countries have on low-consumption nations. Many of the lowest-consumption countries could afford better social services if they were not spending so much money servicing foreign debt. If the countries that made the loans forgave the debt or at least reduced interest rates on it, then debtor countries would be in a position to devote more of their limited funds to helping their poorest citizens.

Nor is debt the only issue. 'Negotiations' between high-consumption and low-consumption countries determine the terms under which international trade will occur. Since the low-consumption countries desperately need markets but have no power to influence the rules, these 'negotiations' are hardly fair. They also contribute to unnecessary movement of goods between countries. The World Trade Organization serves as a global policeman enforcing the rules set by the rich, rather than helping the poor to prosper. It forces low-consumption countries to import goods they already produce and even export. It also forces them to import goods, such as cigarettes, which are unhealthy. There needs to be a strong popular movement to ensure that trade rules are about increasing wellbeing, including health, the environment, and the rights of workers to organize and to receive decent pay and working conditions, and not about defending the 'rights' of corporations.

Other measures do not require international cooperation. If governments spent less money on the military, for example, they could free up resources for disease prevention, primary health care, guaranteeing primary and possibly secondary education for everyone, and improving domestic food production and distribution. Investments today in health, education, and nutrition mean savings tomorrow, due to a healthier and more productive population. Unfortunately, in developing their budgets many governments tend to start with the most expensive

items and run out of funds when they get to the budget lines that are most likely to help those in need (and save money in the future): hospitals take precedence over primary health care and universities over primary schools. Those who are in a position to raise their voices – by writing letters to newspapers and to government officials and taking their cause to the streets – need to pressure governments to change their priorities and put people’s needs first. Greater investment in sidewalks, bike lanes, and public transit should take precedence over investments in ever more roads for private vehicles. Governments should fund primary health care and prevention programs before more high-tech equipment in hospitals. They need to make investments in primary schools throughout the country, not just in universities in the capital city. They should invest more in wellbeing and vastly less in the military, security, prisons, and corporate subsidies. Governments may say that they prioritize health or children, but budgets talk, and what they are saying right now is that governments in most countries are far more interested in supporting the military and industry than in alleviating poverty.

As with taxes, making changes will be difficult. Ideally, for example, NGOs should be able to help governments improve the quality and accessibility of health services. Instead, some NGOs prefer to provide parallel health services and to work with the private sector rather than with the government.

Prudence is required. It is important for protesters to be very clear about what they want, and about the consequences of their demands. People protesting high bus fares must insist on subsidies for bus companies, not on fuel subsidies that will benefit private vehicles as well.

It also helps to remember that groups such as the International Monetary Fund, the World Bank, the World Trade Organization, and donor agencies are still pushing government policies inherently designed to benefit the rich at the expense of the poor and middle class.^{xxiii} Government leaders who attempt to act on behalf of the poor have often become international pariahs (such as Hugo Chávez in Venezuela), subjected to coup attempts by the American Central Intelligence Agency (Jacobo Arbenz in Guatemala, Jean-Bertrand Aristide in Haiti, and Salvador Allende in Chile, to name a few successful ones), or been the target of hundreds of assassination attempts (Fidel Castro in Cuba). NGOs, informed citizens, and anyone else with the ability to speak out needs to be vocal and active in resisting those pressures and in working for the types of changes discussed above. It has worked in many countries with tobacco control; it can work here. All

^{xxiii} I discuss this in more detail in the Myth on those organizations.

would share the ultimate benefit – a cleaner, healthier, and more beautiful environment and greater human wellbeing.^{xxiv}

Hint: When you read about budget shortfalls, ask yourself, might this have anything to do with low tax rates on the rich and on corporations? When people talk about global economic woes, ask, “Then how come there are more billionaires each year?”

* * *

How do we get there?

It is one thing to know where the money is; it is quite another matter to access it. How does one convince governments to collect their taxes? The Oxfam report *Releasing the Hidden Billions for Poverty Eradication* contains several recommendations. The international nature of transnational corporations and international investors makes it difficult to say where many corporations or individual are actually based and therefore where their tax liabilities lie. Where it is unclear, nations need to work together to define common standards for the tax base. International cooperation is needed to prevent individuals and companies from taking advantage of the different rules in different countries. A multilateral agreement or treaty is needed to ensure that multinational corporations pay taxes in all the countries where they do business.^{xxv} Such cooperation is also needed to find ways to facilitate the recovery and repatriation of funds that have been illegally appropriated from low-consumption countries.^{xxvi} Perhaps more simple would be to advocate for some sort of multilateral agreement to allow countries to share information on tax collection in order to reduce tax avoidance and evasion.⁶⁸ I have been personally involved in the negotiation of an international treaty (on tobacco control). I helped lobby for its ratification and implementation in one country, and

^{xxiv} Perhaps not literally: those at the very top do inhabit a separate universe far removed from such realities, but they also represent a tiny portion of the population. These are the ones, described by Paul Krugman, for whom \$11,000 a night hotel suites are being built. The most colourful historical depiction may be by Thorstein Veblen in his classic *The Theory of the Leisure Class*, published in 1899.

^{xxv} Tax havens and tax evasion contribute to budget constraints in the high-consumption countries as well. In the United Kingdom, for example, tax evasion amounts to many billion pounds each year, contributing to budget shortfalls. The underpayment of tax in the United Kingdom is carried out through complex and secretive, yet legal, manoeuvres. “Firms’ secret tax avoidance schemes cost UK billions.” *The Guardian*, 2 February 2009.

^{xxvi} According to the Oxfam report, “It has been estimated that around US\$55 billion was looted from Nigerian public funds during the Abacha dictatorship. To put the figure in perspective, the country is today blighted by an external debt burden of US\$31 billion. Northern governments ... create incentives for corruption by failing to deal effectively with tax havens and other tax loopholes.”

have followed the efforts of advocates in other countries. I know how extraordinarily difficult and time-consuming treaty negotiations and implementation can be. Nevertheless, the results would certainly compensate for the effort.

Activists tired of seeing ridiculously low government health and education budgets, or slashes in the number of government workers because of the lack of funds to pay them, need to raise more attention to the issue of tax avoidance and evasion, and work to make taxation policies more transparent. Given the importance of corporate image, brand names, logos, and labels, such specific attacks might prove to be effective at shaming corporations into paying (at least some of their) taxes or at convincing consumers to boycott their products. One could even have a bit of fun in doing so. For example, guerrilla-type demonstrators could pop up in front of stores, targeting certain brands, saying “I’ll buy so-and-so’s products when they start paying taxes.” Protesters could also hand out postcards at public places to try to convince consumers to send them to corporate headquarters with the same message: “I’ll buy your products when you pay your taxes.”

Those interested in taking on the extremely important issue of military spending can give support to the global Arms Trade Treaty (ATT), which entered into force on 24 December 2014. According to Amnesty International’s blog, the global arms trade is worth \$60 billion a year. The Arms Trade Treaty seeks to keep arms out of the hands of those who abuse human rights. The treaty should prevent the transfer of arms where they are likely to be used to commit genocide, gender-based violence, or to aid in forcibly recruiting children to serve in armed conflict.⁶⁹ The treaty is only one part of a bigger puzzle, though, as weapons kill not only directly but also through the diversion of funds from health care, education, and nutrition.

It will not be easy to convince governments to change their spending priorities. Advocates need a variety of lobbying tools and much publicity.^{xxvii} Involving the media will generate broader coverage, highlighting the issues for both policymakers and the public. Good research – often quick, and always targeted and policy-focused – will help to counter industry claims, present the case, and influence government officials. Public support is also critical, and can be generated and funnelled through public rallies, protests, demonstrations, letter-writing campaigns, and so on.



^{xxvii} Lobbying could be defined as shaming governments into doing the right thing, in part by shining a strong light on some of their less savoury activities, and then giving them credit for the good actions that they undertake in response to criticism. Corporations, of course, prefer to do their lobbying in secret.

Towards a Better Way Part II: Achieving Prosperity through ‘Local Money’

“[Local currency] is a very good idea because we need to make people realise we can all buy and sell something; we don't only need Euros.” — Mark Lown⁷⁰

* * *

Most of us spend more time worrying about how to earn money and dreaming about how to spend it than we do in thinking about the money itself. While money traditionally consists of coins and paper certificates issued by a government, most financial transactions today, certainly the large ones, are electronic and involve no exchange of actual money at all. While historically coins have had an intrinsic value (gold or silver) and the notes have corresponded to reserves of precious metals, this is no longer true.

Whatever its form, money serves both as a straightforward medium of exchange for the trade in goods and services and as a means of storing wealth. However, if too much of it gets stored by too few people, the ability of the rest to use money to facilitate their transactions is hampered. Money also has limitations as a repository of wealth. The value of any national currency is subject to many factors outside of the control of the citizens, such as international currency trading, destabilization of the government, and inflation. Those who store their wealth at home may overnight find themselves sitting on a useless pile of notes. The residents of a small village can see their local economy wiped out because people far away have gambled on the national currency and caused it to lose its value. Inflation too can wipe out a lifetime of savings or render a fixed income valueless. Sudden deflation tends to affect the poor and middle class far more than the rich, as the rich are more likely to store their money in foreign bank accounts with a more secure currency and to keep their wealth in forms other than cash.

Although elsewhere in this book I argue that one cannot define poverty by how many dollars a day people live on, the lack of money certainly can create and perpetuate conditions of want. Money is not just the reward for economic activity; it is sometimes a necessary precondition thereof. A small-scale farmer (such as Prakash) may have plenty of land but needs to buy some seeds and hire some labour to help him farm. The local shopkeeper sells seeds. Plenty of local people would be happy to work for pay. However, if the farmer has no money, he can access none of those services. If all farmers in a given community similarly lack money, then the shopkeeper cannot sell the seeds and the labourers can find no work. Since the labourers cannot work, they cannot afford to purchase other goods in the shop. And, since the farmers cannot farm, locally-available food is in short

supply. Local skills and assets such as buildings, machinery, and land go idle and local needs remain unmet. Where local needs and local resources cannot be brought together, everyone suffers. The obvious fact that the poor lack money is thus true in a deeper sense as well: lack of money not only defines but also perpetuates poverty, which is part of the reason why it is so difficult for the poor to work their way out of poverty.^{xxviii}

What then is the solution? Rather than always relying on national currencies traded in international financial markets, communities can create their own form of local currency. Local currency can be denominated in terms of money, time, or any other form of goods or services. It can be rated at the same value as the national currency, or in some other form. A remarkable aspect of money denominated in hours is that everyone's inputs are valued at the same rate, whether they be a janitor or a lawyer, a kindergarten teacher or a software designer. This is putting ideas of equity into practice. Importantly, local currency systems do not involve interest payments and thus avoid the need for the economy to grow to repay loans.

Local currencies have a rich history. The Labour Exchange Bazaar in London, established by social reformer Robert Owen, operated from 1832 to 1834 and was a system in which people exchanged their labour for 'National Equitable Labour Notes'. Owen brought in raw materials that the labourers converted to goods in exchange for the notes. While the goods could be sold for the national currency (with a percentage kept to operate the system), the Labour Notes could be used to buy food from local shops as well as additional raw materials. The system resulted in long-unemployed workers re-engaging in paid work and a decline in unemployment.⁷¹ The British island of Guernsey also used local currency, first from 1815 to 1836 and again from 1914 onward. In order to revive the war-torn economy, local government officials issued local, interest-free notes that paid previously unemployed workers to improve roads and repair buildings. The workers were then able to buy goods from local shops, and the shops could buy and sell more locally produced goods. This helped to shift the economy from one of depression to one of prosperity.⁷² In the Austrian Worgl experiment of 1929-1934, the mayor created 'Tickets for services rendered,' initially used to pay wages for public works. The tickets were usable at local businesses. The tickets decreased

^{xxviii} Other reasons include a number of structural barriers to upward movement, including racism; the lack of decent schools, health care, mentors and other support for the poor and minorities; the unavailability of decent jobs; and the difficulty in remaining optimistic when surrounded by despair. And the biggest reason of all: too much for the few means not enough for everyone else.

in value by one percent each month, but could be ‘revalued’ with stamps purchased from local authorities; the profits were used for poor relief. As nobody wished to carry a devalued note, the notes rapidly circulated; it was thus possible to avoid hoarding or accumulation in the hands of a few. Rapid and regular circulation of the notes created a healthy economy in which many people participated. The system was so popular that it spread and prosperity grew until the Austrian national bank, threatened by the system’s lack of interest rates, launched a legal challenge against it.^{xxxix} Unfortunately, in this case the bank won.⁷³

More recently, when Argentina’s economy collapsed in 2000-2003, trade continued and people were able to make money and access needed goods and services, partly thanks to the rapid rise of various local currencies. While there were many problems with the local currencies that people invented, they were critical for survival, and as local currency expert Peter North writes, they “helped literally millions of Argentines to get through an awful financial crisis.”⁷⁴ Even more recently, at least one town in Greece is weathering the financial downturn in part through a local currency system. People can gain credits by offering goods or services, and then use them to purchase other goods and services.⁷⁵

* * *

*Local currencies are not just for times of crisis. Their use is widespread. According to the Complementary Currency Resource Center, local currencies are used today in the following countries: Argentina, Australia, Austria, Belgium, Brazil, Canada, China, Colombia, Croatia, Czech Republic, Denmark, El Salvador, France, Germany, Greece, Honduras, Hong Kong, Hungary, Indonesia, Italy, Japan, Kenya, Mexico, Netherlands, New Zealand, Papua New Guinea, Poland, Portugal, Russia, Scotland, Senegal, Slovakia, South Africa, South Korea, Spain, Sweden, Switzerland, Thailand, Ukraine, United Kingdom, the United States, and Venezuela. Any individual country can have many systems: there are 250 in El Salvador and almost 32,000 in South Africa.*⁷⁶

* * *

Because local currency (as opposed to international alternative currencies such as bitcoin) has value only in the community that issues it, people use it at local businesses, thus helping to deter the gravitational pull of money upwards (and outwards). It can prevent speculation and trading in the means of exchange, thus ensuring a more stable currency and economy. It can also deter hoarding, by being designed to ‘rust’ (‘demurrage’ is the technical term) that is, lose its value over time. This encourages the frequent exchange of notes, which in turn stimulates the

^{xxxix} The Guernsey experiment also threatened the banks, which objected to low or no interest rates on the notes. In this case, attempts by the banks to stop the experiment failed and the Guernsey pound is still in use.

local economy and fosters greater local wellbeing.^{xxx}

Local currencies do have limitations. They work best in small, tight-knit communities in which people are committed to their success. They are a piece of the puzzle, not a complete solution in themselves. Since their purpose is circulation rather than storage, they cannot act as savings accounts, and their use is limited to those who accept them. However, a local currency helps to ensure that all people in the community with goods and services to offer can participate in the local marketplace, and that all can avail themselves of those goods and services. Since the community issues the 'money', it can print or issue as much as is needed.

History suggests that local currencies would be far more widespread if it were not for the objection of conventional banks, which obviously do not approve of the use of money that does not bear interest. In some jurisdictions, it is actually illegal to make non-official currency. However, according to local currency expert and Professor Jem Bendell,

Is prosperity without economic growth possible? Yes, but only if we transform monetary systems. Is there a way for businesses to thrive with an alternative monetary system? Yes, as more credit would go to productive economic activity not speculation. Whether in business, investment, philanthropy, or politics, there are few more important, less understood and less pursued objectives today than monetary reform. It is time to direct more of our time and resources to the underlying causes of our multiple crises, and swiftly learn about the pros and cons of alternative systems.⁷⁷

^{xxx} A small amount of 'rust' can prevent hoarding without discouraging people from accepting bills right before they expire; the rust only becomes significant if notes are kept for a long time.

Notes

¹ Paul Ekins, ed. *The Living Economy: A New Economics in the Making* (London, New York: Routledge and Kegan Paul, 1986).

² Richard Heinberg, *The End of Growth: Adapting to Our New Economic Reality* (Gabriola Island, BC, Canada: New Society Publishers, 2011).

³ Bob Herbert, "Losing Our Way," *The New York Times* Opinion Pages, 25 March 2011.

⁴ Joshua Holland, *The Fifteen Biggest Lies About the Economy and Everything Else the Right Doesn't Want You to Know About Taxes, Jobs, and Corporate America* (Hoboken, New Jersey: John Wiley & Sons, Inc., 2010).

⁵ Paul Buchheit, "Five Facts about America's Pathological Wealth Distribution," *Common Dreams*, 3 December 2012.

⁶ Leslie Patton, "McDonald's \$8.25 Man and \$8.75 Million CEO Shows Pay Gap," *Bloomberg News*, 12 December 2012.

⁷ National Coalition for the Homeless, "How Many People Experience Homelessness?" http://www.nationalhomeless.org/factsheets/How_Many.html accessed 25 August 2014.

⁸ Carol Morello, "About 44 Million in U.S. Lived Below Poverty Line in 2009, Census Data Show," <http://www.washingtonpost.com/wp-dyn/content/article/2010/09/16/AR2010091602698>

.html accessed 25 August 2014.

⁹ E.F. Schumacher, *Small is Beautiful: A Study of Economics as If People Mattered* (London: Vintage Books, 1993).

¹⁰ John Helliwell, John, Richard Layard and Jeffrey Sachs, ed., *World Happiness Report* (New York: Earth Institute, Columbia University, 2012).

¹¹ John Perkins, *Confessions of an Economic Hit Man* (San Francisco: Berrett-Koehler, 2004).

¹² Barbara Kingsolver, *Animal, Vegetable, Miracle* (New York: HarperCollins, 2007).

¹³ Alexander Eichler, "Hunger, Food Insecurity Cost The Country \$167 Billion Every Year: Study," *The Huffington Post*, 10 June 2011.

¹⁴ World Health Organization, "Obesity and Overweight," Fact sheet N°311, updated March 2013 (Geneva: WHO, 2013).

¹⁵ Claire Provost, "MDG Target to Halve Prevalence of Hunger Within Reach, Says UN," *The Guardian*, 9 October 2012.

¹⁶ Environment News Service, "One-Third of World's Food Lost or Wasted," www.ens-newswire.com/ens/may2011/2011-05-12-02.html accessed 25 August 2014.

¹⁷ Heinberg, *The End of Growth*.

¹⁸ Nathaniel Gronewold, "New School of Thought Brings Energy to 'the Dismal Science,'" *The New York Times*, 23 October 2009.

¹⁹ Gronewold, "New School of Thought."

²⁰ Heinberg, *The End of Growth*.

²¹ Kenneth E Boulding, "The Economics of the Coming Spaceship Earth," 1966.

<http://www.ub.edu/prometheus21/articulos/obsprometheus/BOULDING.pdf> accessed 26 August 2014.

²² Personal communication with Kalpona Akter, garment worker organizer, Dhaka, December 2013.

²³ M. Bari and D. Efroymson, *Detailed Area Plan (DAP) for Dhaka Metropolitan Development Plan (DMDP): A Critical Review* (Dhaka: WBB Trust, 2009).

²⁴ "Population and Energy Consumption," World Population Balance: http://www.worldpopulationbalance.org/population_energy accessed 8 January 2015.

²⁵ United Nations Development Programme, *Summary Human Development Report 2011, Sustainability and Equity: A Better Future for All* (New York: UNDP, 2011).

²⁶ Jared Diamond, "What's Your Consumption Factor?" *The New York Times*, 2 January 2008.

²⁷ Diamond, "What's Your Consumption Factor?"

²⁸ Edward Wong, "Air Pollution Linked to 1.2 Million Premature Deaths in China," *The New York Times*, 1 April 2013.

²⁹ UNDP, *Summary Human Development Report 2011*.

³⁰ Oswaldo de Rivero, *The Myth of Development: The Non-Viable Economies of the 21st Century*. 2nd impression (London: Zed Books, 2003).

³¹ Joe Nocera, "Does Brazil Have the Answer?" *The New York Times* online, January 20, 2014.

<http://www.nytimes.com/2014/01/21/opinion/nocera-does-brazil-have-the-answer.html>

³² Ron Synovitz, "Russia Has Highest Level of Wealth Inequality," *Radio Free Europe*, October 10, 2013.

³³ Tom Balmforth, "Divide Between Rich and Poor Increases in Russia," *Telegraph*, 2 January 2013.

³⁴ Planning Commission, *National Human Development Report* (Delhi: Government of India, 2001).

³⁵ Jean Drèze and Amartya Sen, "Putting Growth in Its Place," *Outlook India*, 24 November 2011.

³⁶ United Nations University, *Greater Access to Cell Phones than Toilets in India: UN* (London & UN Secretariat, New York: United Nations University, 14 April 2010). <http://unu.edu/media-relations/releases/greater-access-to-cell-phones-than-toilets-in-india.html>

³⁷ In the graph, wealth control figures are taken from James B. Davies, Susanna Sandström, Anthony Shorrocks, and Edward N. Wolff, *The World Distribution of Household Wealth*, Discussion Paper No. 2008/03 (New York: United Nations University, 2008); poverty figures are taken from the Central Intelligence Agency, *The World Factbook*, <https://www.cia.gov/library/publications/the-world-factbook/fields/2046.html> accessed 26 August 2015 and World Bank, *World Development Indicators*, <http://databank.worldbank.org/data/home.aspx> accessed 26 August 2015. It is important to note that if international poverty figures were used, rather than national figures, the poverty levels in most of the countries included here would be much higher.

³⁸ Heinberg, *The End of Growth*.

³⁹ Goodreads, "Philip Slater Quotes,"

<http://www.goodreads.com/quotes/188845-our-economy-is-based-on-spending-billions-to-persuade-people>, accessed 19 August 2014.

⁴⁰ Paul Buchheit, "Five Facts about America's Pathological Wealth Distribution," *Common Dreams*, 3 December 2012.

- ⁴¹ Jody Heymann, *Forgotten Families: Ending the Growing Crisis Confronting Children and Working Parents in the Global Economy* (Oxford: Oxford University Press, 2006).
- ⁴² Richard A. Easterlin, "Will Raising the Incomes of All Increase the Happiness of All?" *Journal of Economic Behavior and Organization*, Vol. 27 (1995): 35-47.
- ⁴³ Easterlin, "Raising the Incomes."
- ⁴⁴ Easterlin, "Raising the Incomes."
- ⁴⁵ Helliwell et al., *World Happiness Report*.
- ⁴⁶ Schumacher, *Small is Beautiful*.
- ⁴⁷ Helliwell et al., *World Happiness Report*.
- ⁴⁸ Data360, "Average Water Use Per Person Per Day," http://www.data360.org/dsg.aspx?Data_Set_Group_Id=757 accessed 25 August 2014.
- ⁴⁹ Diamond, "What's Your Consumption Factor?"
- ⁵⁰ World Population Balance, "Population and Energy Consumption," http://www.worldpopulationbalance.org/population_energy, accessed 5 Feb 2013.
- ⁵¹ Diamond, "What's Your Consumption Factor?"
- ⁵² Hannah Arendt, *Responsibility and Judgment* (New York: Schocken Books, 2003).
- ⁵³ James Sherk, "Technology Explains Drop in Manufacturing Jobs," The Heritage Foundation, 12 October 2010.
- ⁵⁴ David C. Korten, *When Corporations Rule the World*, 2nd ed. (Bloomfield, Connecticut and San Francisco: Kumarian and Berrett-Koehler, 2001).
- ⁵⁵ James K. Galbraith, *The Predator State: How Conservatives Abandoned the Free Market and Why Liberals Should Too* (New York: Free Press, 2009).
- ⁵⁶ Ekins, *The Living Economy*.
- ⁵⁷ Schumacher, *Small is Beautiful*.
- ⁵⁸ Nocera, "Does Brazil Have the Answer?"
- ⁵⁹ Richard S Cooper, Joan F Kennelly, and Pedro Orduñez-Garcia, "Health in Cuba." *International Journal of Epidemiology* 35.4 (August 2006): 817-824. doi: 10.1093/ije/dyl175 The authors mention that "Despite occasional 'discovery pieces' the biomedical literature in English has been almost entirely silent on the Cuban experience and US government policy temporarily forbade publication of articles from Cuba by US journals or their foreign subsidiaries."
- ⁶⁰ "...a study tour/conference was held in Havana in March 2000, attended by over 100 UK doctors including Department of Health officials, the President of the Royal College of General Practitioners and several senior academics, including Chairs of Primary Care Groups. This visit has generated a further series of contacts and in October 2000 the UK hosted a visit by the Vice-Minister of Health who was received by our Under Secretary of State for Health. A further study tour/conference is planned for April/May 2001 and numerous individual exchange visits have been organised including 'twinning' of health centres in the UK and polyclinics in Cuba." Select Committee on Health Appendices to the Minutes of Evidence, Appendix 60, Memorandum by Professor Patrick Pietroni (PH 97), "Cuban Health Care Systems and its Implications for the NHS Plan."
- ⁶¹ See, for instance, the International Planned Parenthood Federation, <http://www.ippf.org/en/Resources/UN+statements/Commission+on+Population+and+Development+on+its+41st+Session.htm>, accessed 24 July 2011.

⁶² Galbraith, *The Predator State*.

⁶³ Nairaland Forum, "Ridiculous Facts About How Rich Bill Gates Is," <http://www.nairaland.com/1580059/ridiculous-facts-how-rich-bill-gates-is> accessed 26 August 2014.

⁶⁴ Luisa Kroll and Kerry A. Dolan, "The Richest People on the Planet 2013," *Forbes*, 25 March 2013.

⁶⁵ Oxfam, *Tax Havens: Releasing the Hidden Billions for Poverty Eradication* (London: Oxfam Great Britain, 2000).

⁶⁶ Oxfam International, "Tax on the 'private' billions now stashed away in havens enough to end extreme world poverty twice over." 22 May 2013.

⁶⁷ John Christensen, "Dirty Money: Inside the Secret World of Offshore Banking," in *A Game As Old As Empire: The Secret World of Economic Hit Men and the Web of Global Corruption*, ed. Steven Hiatt (San Francisco: Berrett-Koehler, 2007).

⁶⁸ Oxfam, *Tax Havens*.

⁶⁹ "Fact vs. Fiction: Arms Trade Treaty and Gun Ownership in the U.S." posted 19 July 2012.

⁷⁰ Mark Lowen, "Greece Bartering System Popular in Volos," *BBC News*, 11 April 2012.

⁷¹ Michael Linton, Shann Turnbull, and David Weston, "Financial Futures," in Ekins, ed., *The Living Economy*.

⁷² Linton, Turnbull, and Weston, "Financial Futures."

⁷³ Linton, Turnbull, and Weston, "Financial Futures."

⁷⁴ Peter North, *Local Money* (Devon, England: Transition Books, 2010).

⁷⁵ Mark Lowen, "Greece Bartering System Popular in Volos," *BBC News*, 11 April 2012.

⁷⁶ Complementary Currency Resource Center, "World Map of Complementary Currency Systems," <http://www.complementarycurrency.org/ccDatabase/maps/worldmap.php> accessed on 5 August 2014.

⁷⁷ Jem Bendell, "Trading without Money? Why a New System Can Address the Economic Spiral," *The Guardian*, 12 March 2013.