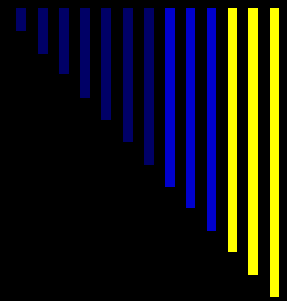



Why and how the US, China and the EU should abandon economic growth



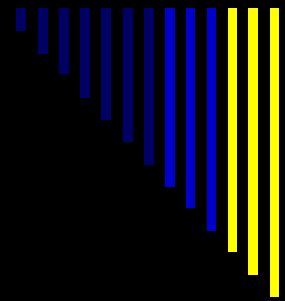
Éloi LAURENT (OFCE/SciencesPo, SMI/Sc Po, Stanford University)
eloi.laurent@sciencespo.fr

ETUI Forum,
Brussels, 17 October 2019.



Outline

- 2009-2019: going beyond GDP, the road ahead;
- The US and the illusion of growth;
- China and the myth of growth;
- The EU and the peril of growth;

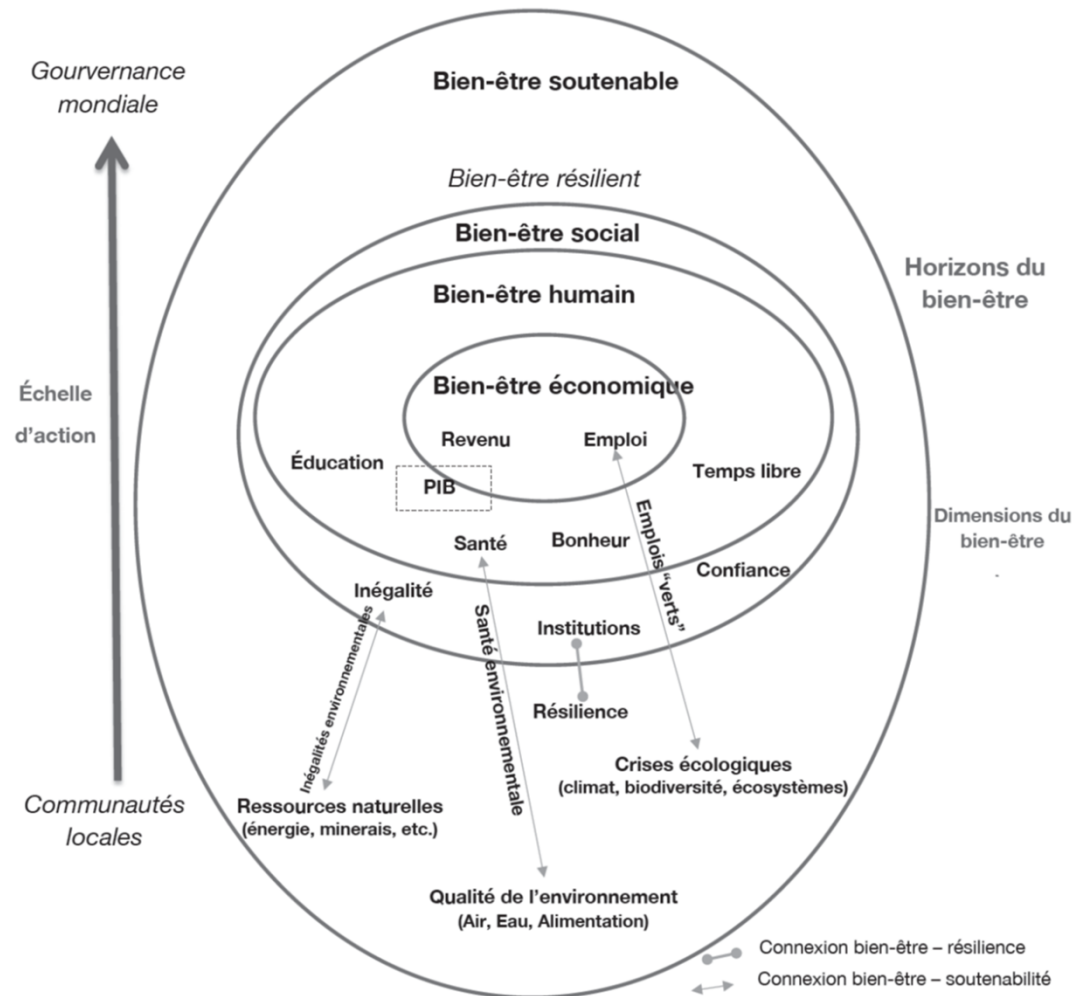


2009-2019

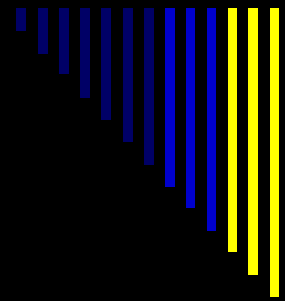
- 2009: Stiglitz Commission;
- Hundreds of reports and indicators;
- Two imperatives ahead: building a consistent framework linking well-being and sustainability;
- Operationalizing indicators, i.e. changing not only indicators but policies (third age of alternative indicators);

Building a SWB framework

Figure 2. Les trois horizons de l'humanité:
bien-être, résilience et soutenabilité

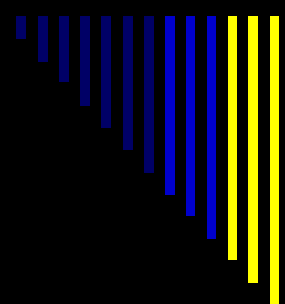


Source: Laurent 2019.

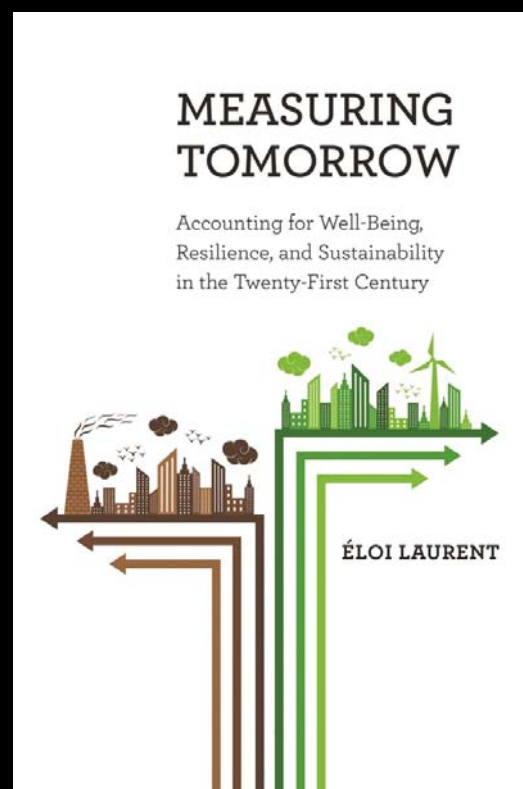


Three ages of alternative indicators

- First age: JS Mill (1848), philosophical age;
- Second age: Tobin and Nordhaus (1972), empirical age;
- Third age: SDGs (2015), policy age;



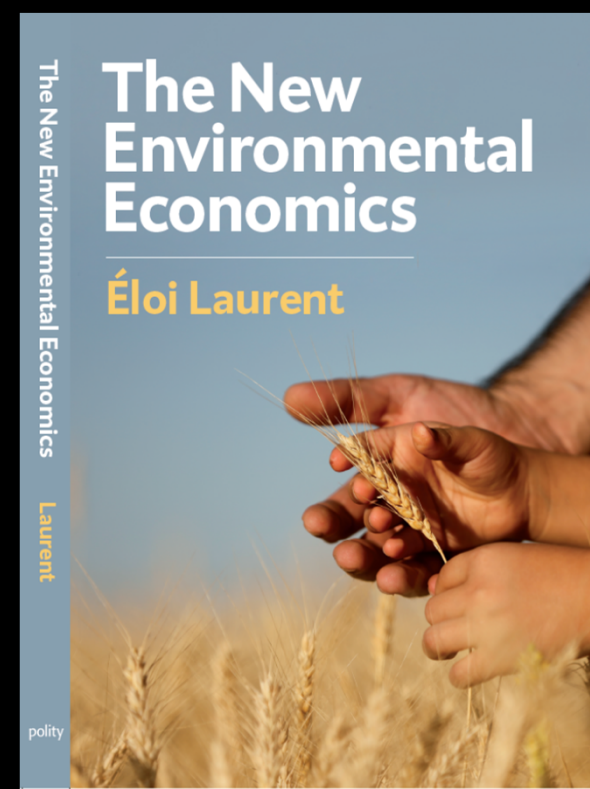
Research and teaching



2018



October 2019



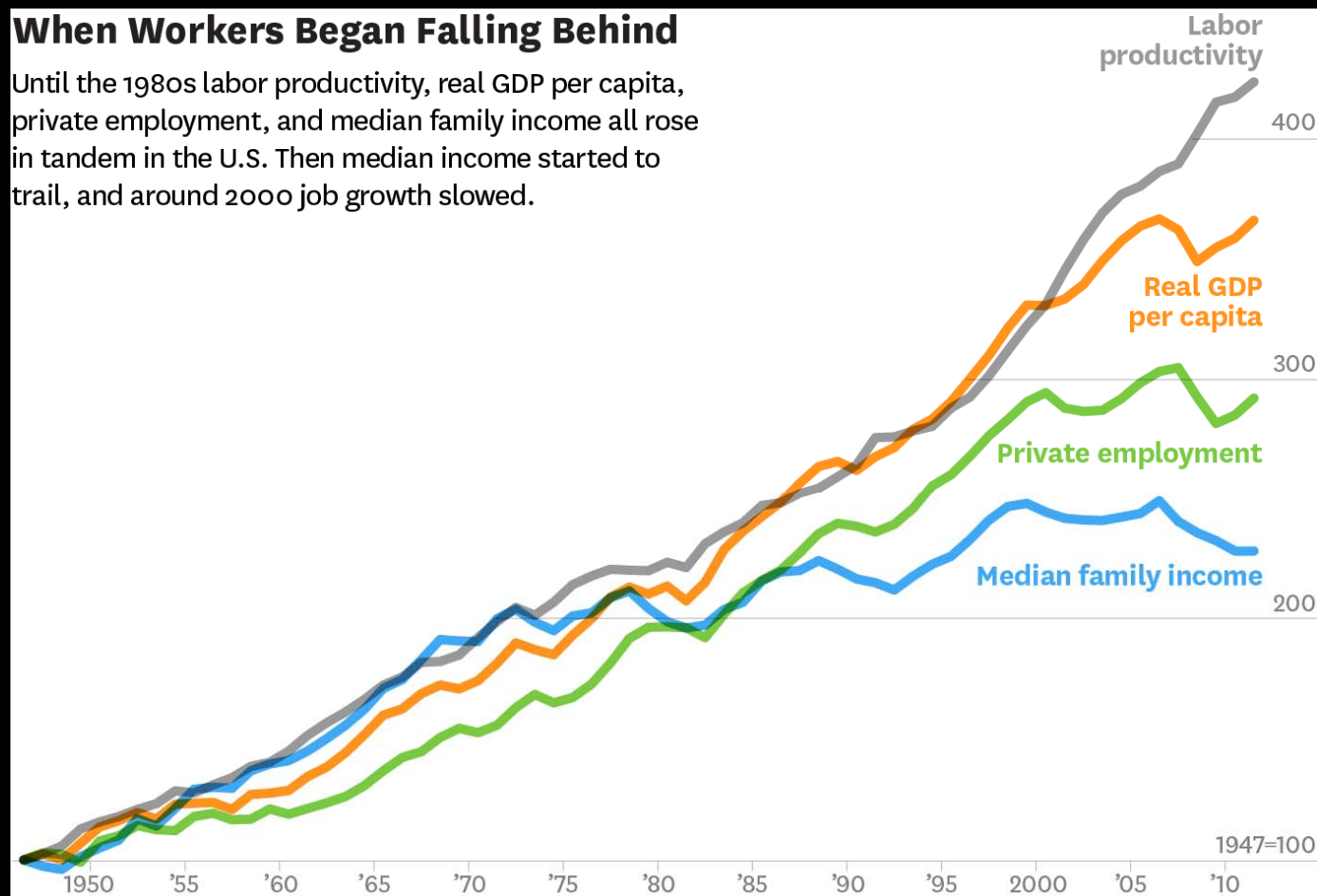
November 2019

The US illusion: strong growth, fragile nation

1. Inequality

When Workers Began Falling Behind

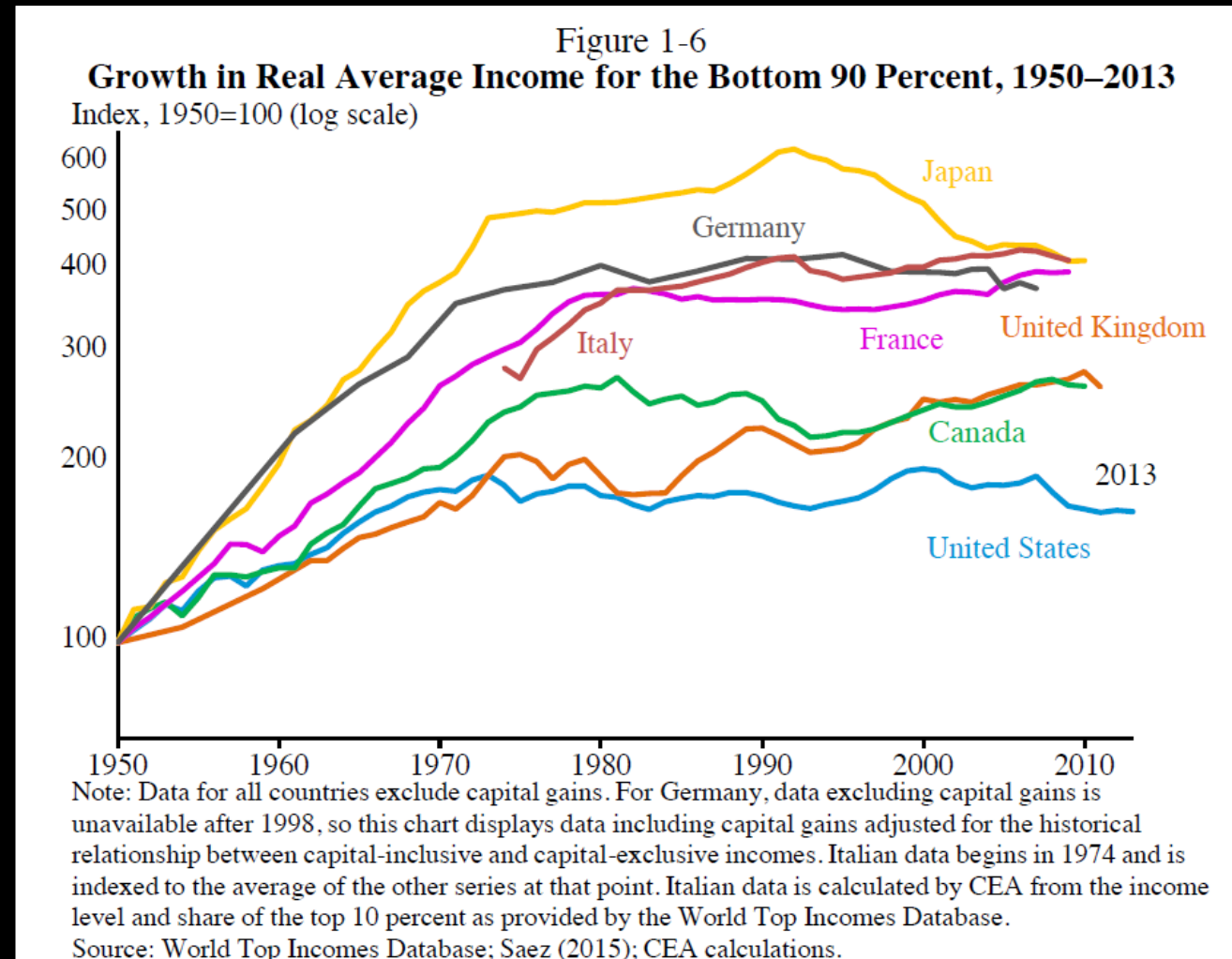
Until the 1980s labor productivity, real GDP per capita, private employment, and median family income all rose in tandem in the U.S. Then median income started to trail, and around 2000 job growth slowed.



SOURCE FEDERAL RESERVE BANK OF ST. LOUIS; ERIK BRYNJOLFSSON AND ANDREW MCAFEE
FROM "THE GREAT DECOUPLING," JUNE 2015

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The decline of the US middle-class

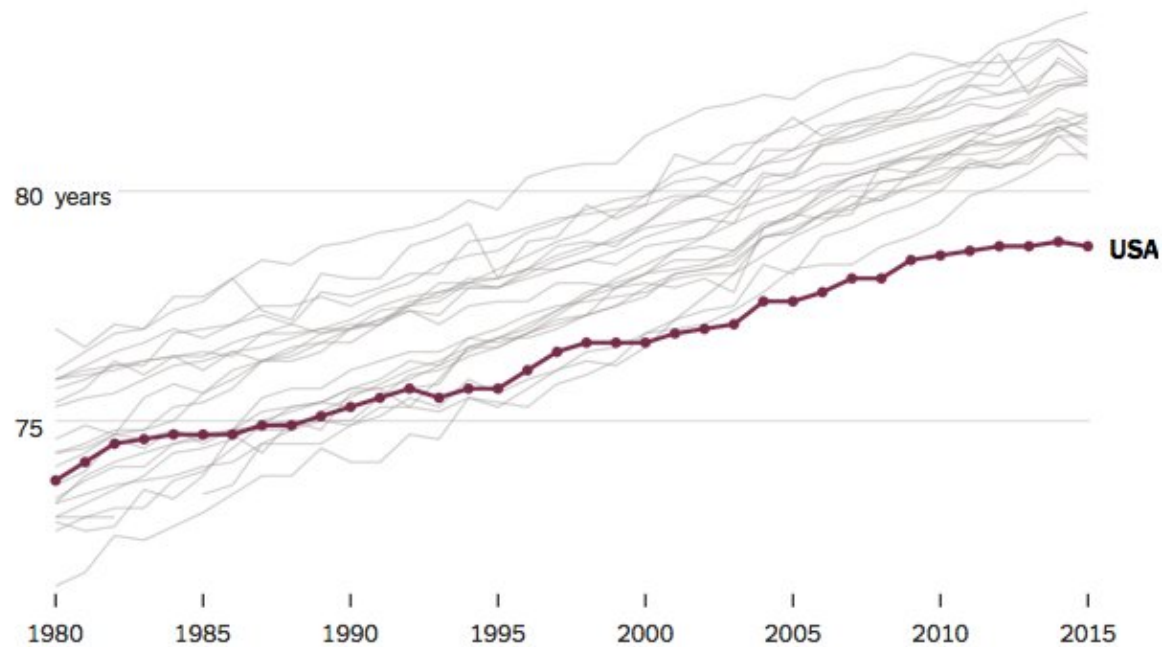


Source: Economic Report of the President 2015.

2. Health

Falling Behind

In life expectancy, the United States went from middle of the pack of peer nations in 1980 to below average.



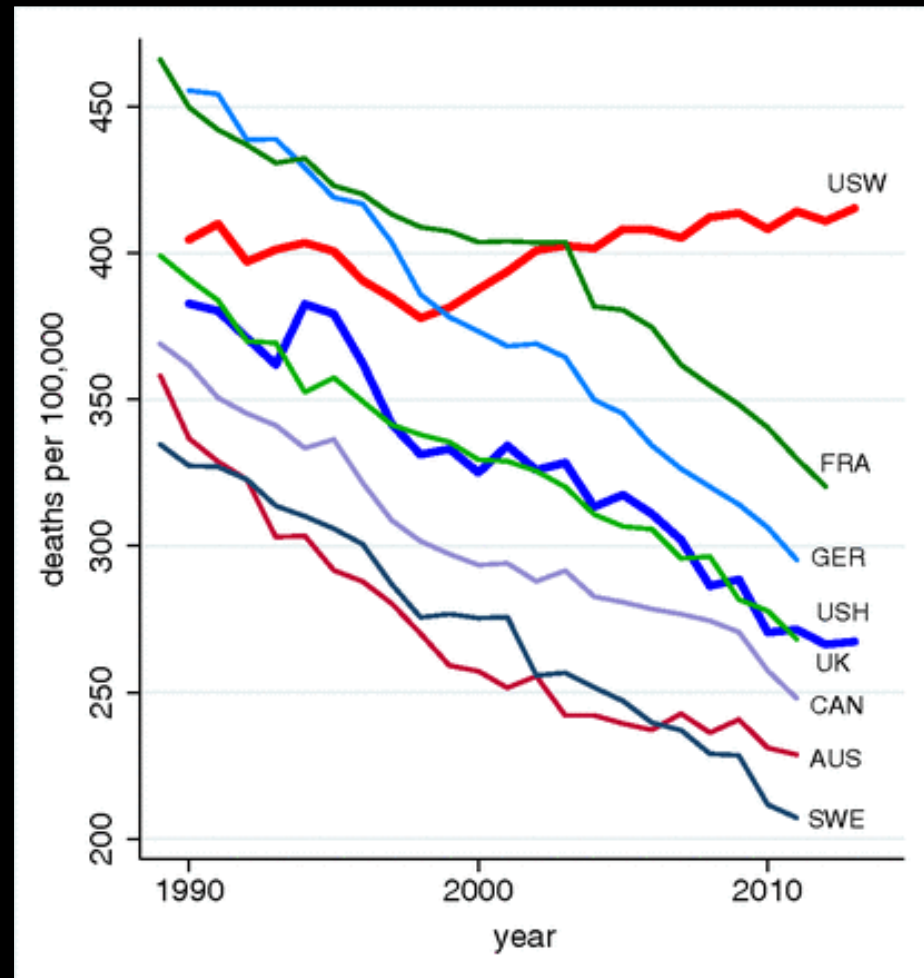
The list of peer nations in the chart, ordered by life expectancy based on 2015 result: Japan (83.9), Switzerland, Spain, Italy, Australia, France, Luxembourg, Norway, Sweden, Canada, New Zealand, Finland, the Netherlands, Iceland, Ireland, Austria, Portugal, Belgium, Britain, Denmark, Germany (80.7). The U.S. is at 78.8.

Source: BEA.

Death by social despair

All-cause mortality, ages 45–54 for US White non-Hispanics (USW), US Hispanics (USH), and six comparison countries: France (FRA), Germany (GER), the United Kingdom (UK), Canada (CAN), Australia (AUS), and Sweden (SWE).

“Concurrent declines in self-reported health, mental health, and ability to work, increased reports of pain, and deteriorating measures of liver function all point to increasing midlife distress.”



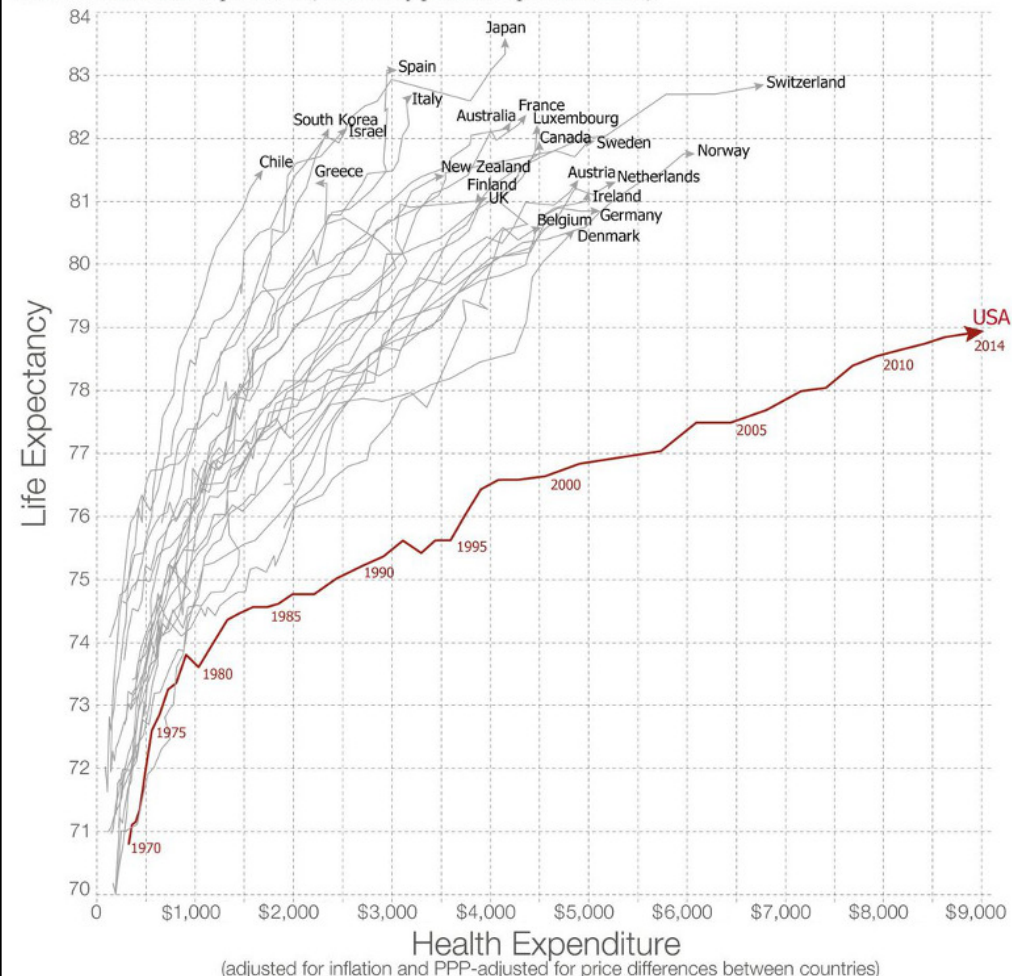
Source : Deaton and Case, 2015.

Wealth and health

Life expectancy vs. health expenditure over time (1970-2014)

Our World
in Data

Health spending measures the consumption of health care goods and services, including personal health care (curative care, rehabilitative care, long-term care, ancillary services and medical goods) and collective services (prevention and public health services as well as health administration), but excluding spending on investments. Shown is total health expenditure (financed by public and private sources).



Data source: Health expenditure from the OECD; Life expectancy from the World Bank. Licensed under CC-BY-SA by the author Max Roser. The interactive data visualization is available at [OurWorldinData.org](https://ourworldindata.org). There you find the raw data and more visualizations on this topic.

Source: BEA.

Crumbling foundations

2017 Infrastructure Grades

 AVIATION	D	 PARKS AND RECREATION	↓ D+
 BRIDGES	C+	 PORTS	↑ C+
 DAMS	D	 RAIL	↑ B
 DRINKING WATER	D	 ROADS	D
 ENERGY	D+	 SCHOOLS	↑ D+
 HAZARDOUS WASTE	↑ D+	 SOLID WASTE	↓ C+
 INLAND WATERWAYS	↑ D	 TRANSIT	↓ D-
 LEVEES	↑ D	 WASTEWATER	↑ D+

America's
Cumulative
Infrastructure
Grade



A EXCEPTIONAL

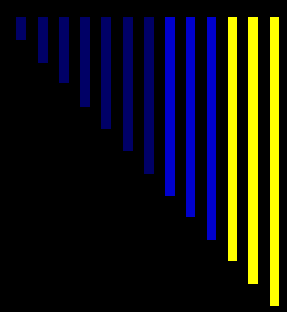
B GOOD

C MEDIOCRE

D POOR

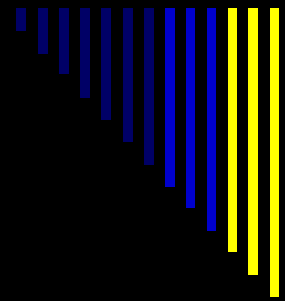
F FAILING

Source: BEA.



The US beyond GDP

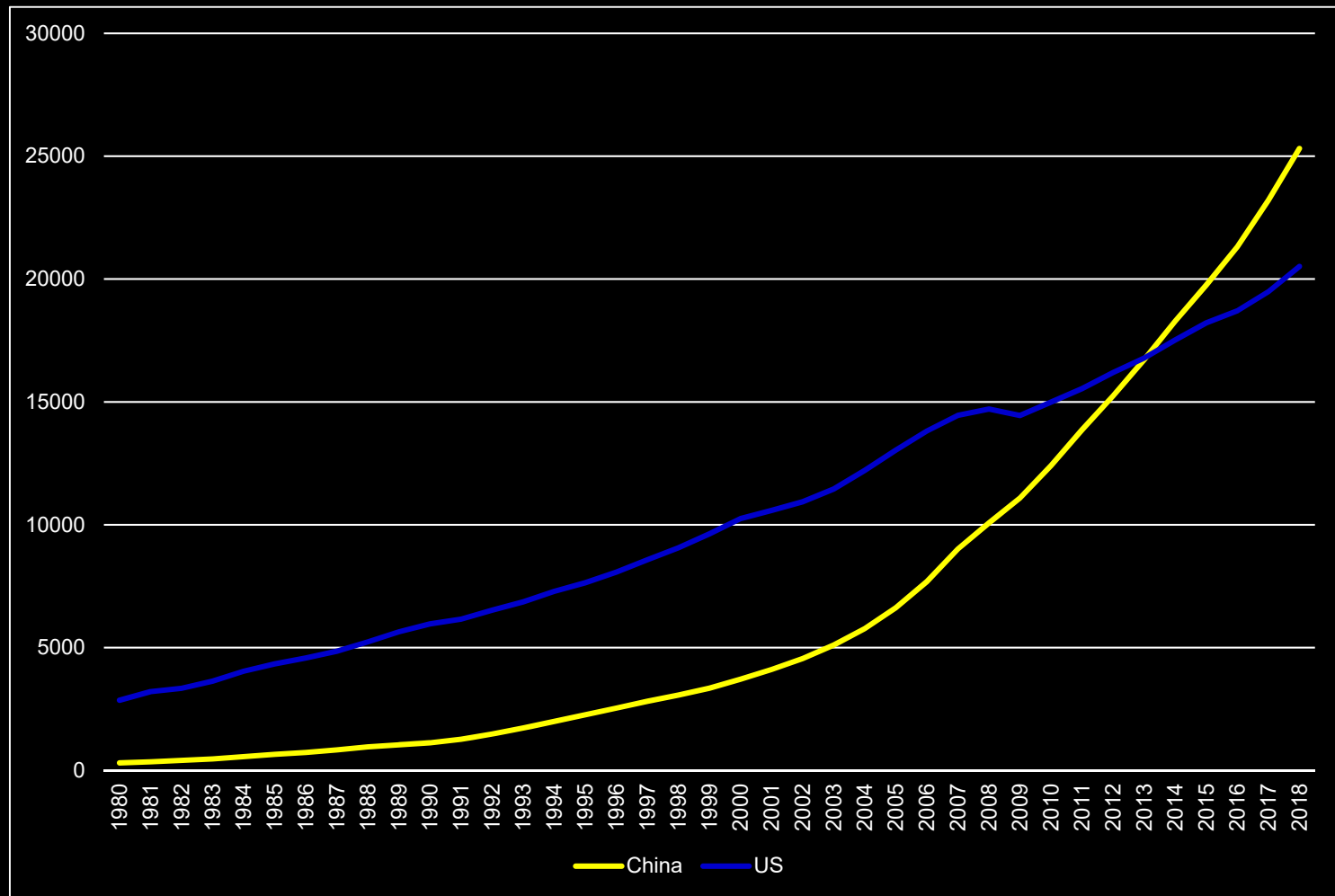
- “The Green New Deal” of 2019 (AOC et al. Bill of feb. 2019);
- The “New Deal” was not about growth: “peace” and “restoring American democracy” (FDR 1936);
- The “Green new Deal”: systemic inequality (social and environmental) destroying the US; protecting frontline communities.



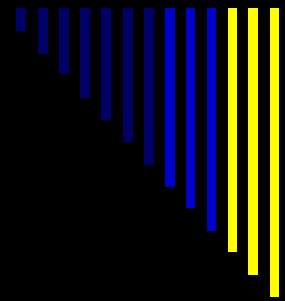
Three myths about Chinese growth

- ❑ December 29, 1978: the greatest experiment of economic growth in the history of humankind begins;
- ❑ 15% of humanity propelled at 10% annual growth on average for 40 years;
- ❑ All the theoretical models and empirical controversies in the world will never have the force of demonstration of the Chinese experience;
- ❑ What does it teach us?

GDP in purchasing power parity, China and the United States, in billions of international dollars



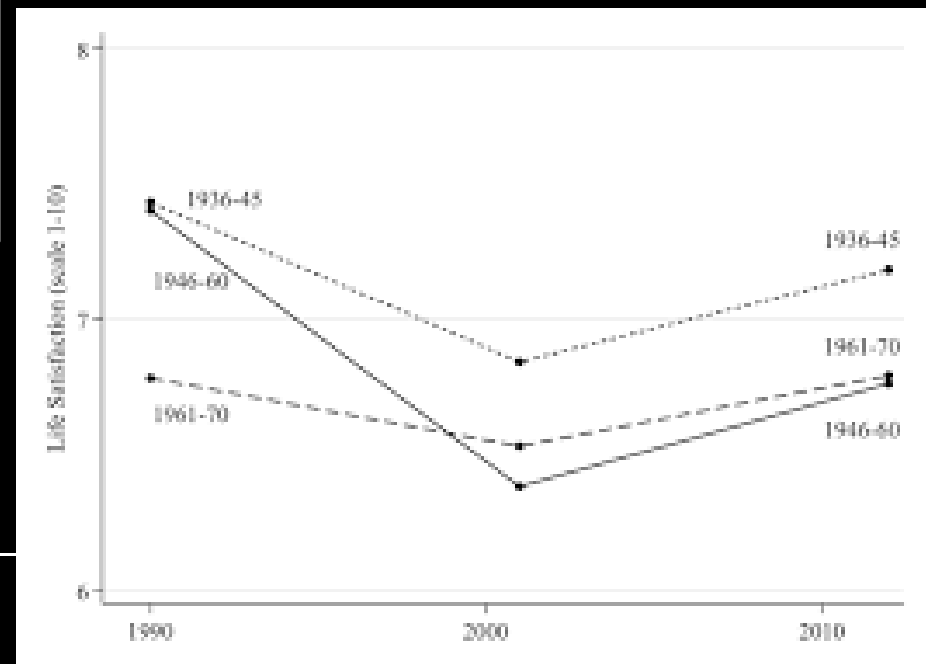
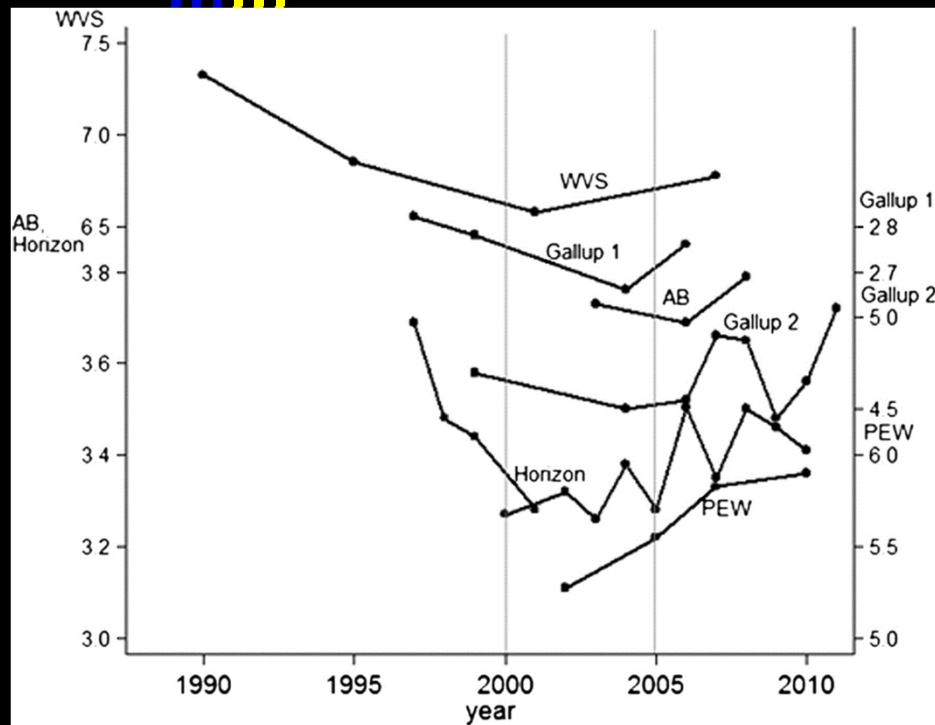
Source: IMF.



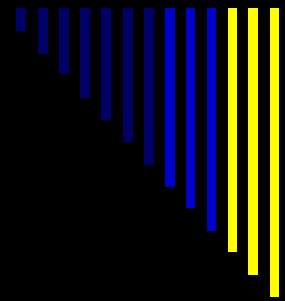
Three myths about Chinese growth

- ❑ **Myth 1:** Growth reduces inequality and increases happiness ;
- ❑ China is today one of the most unequal countries in the world, with a Gini index estimated at around 0.5 (it was around 0.3 in 1980) and stagnating around this value for the last ten years.
- ❑ While the share of national income of the richest 10% increased between 1978 and 2015 from 27% to 41% (the share of the top 1% doubling over the period), the share of the national income of the poorest 50% of the Chinese fell from 26% to 14%.
- ❑ The reduction of poverty is undeniable but not correlate with economic growth: the number of poor has been reduced from 750 to 400 million from 1992 to 2002 with a declining growth rate (from 14% to 9%), then while oscillated from 9% to 10% from 2002 to 2010, the number of poor decreased by 250 million. Finally, from 2010 to 2015, poverty was reduced by an additional 150 million people, with a growth rate dropping from 10% to 7%.

Growth and happiness

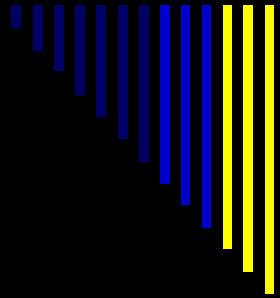


Source: Easterlin et al 2017.

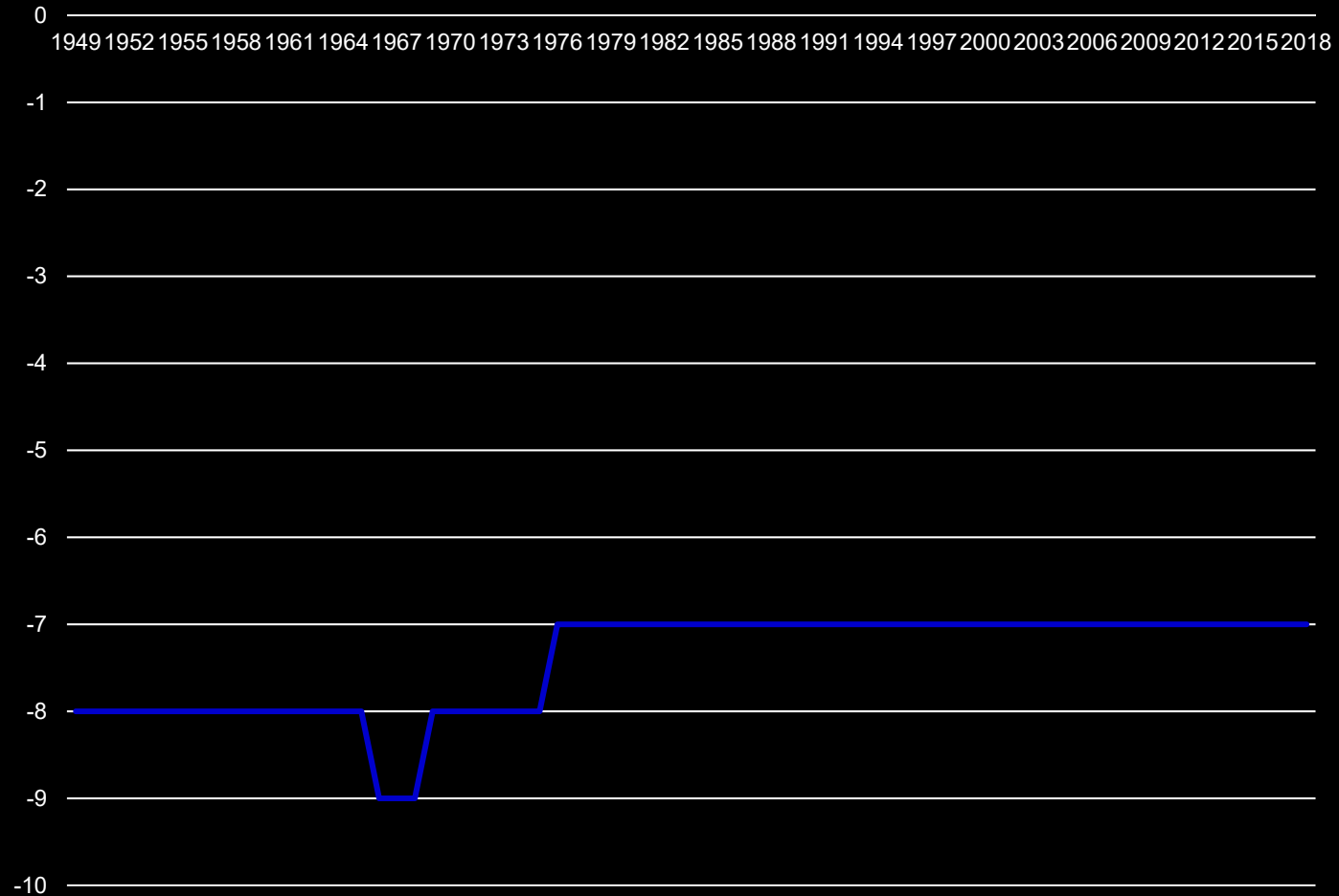


Three myths about Chinese growth

- **Myth 2:** Economic growth fueled by economic liberalism breeds political liberalism;
- 1989: in November, the Berlin Wall collapsed leading to the inexorable collapse of the USSR. But a few months earlier, in June, the other great communist power of the planet crushed the student revolt of Tian'anmen Square in Beijing (10,000 deaths);
- The Chinese state has managed to become much more efficient while remaining arbitrary and unfair. “Socialism with Chinese characteristics” is precisely characterized by a strong state in both senses of the term, technically effective but put at the service, on the one hand, of economic expansion and, on the other hand, of political regression measured by the muzzling of civil liberties and stifling of political rights;
- China was not the last country to join liberal capitalism (the “end of history”), it was the trailblazer of the authoritarian neo-liberal order;



Governance in China



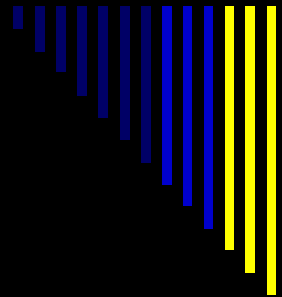
Source: Polity.



Governance in China

			Score	Relative ranking (in percentiles of the countries of the world)
Voice and accountability		1996	-1,36	12
		2007	-1,72	4,81
		2017	-1,50	7,88
Government effectiveness		1996	-0,35	43,17
		2007	0,18	59,22
		2017	0,42	68,27
Regulatory quality		1996	-0,27	45,11
		2007	-0,17	50,97
		2017	-0,15	48,56

Source: WGI.



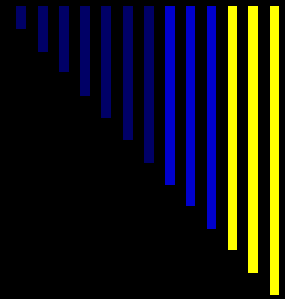
Unsustainable China

Myth 3: Economic growth is the solution to ecological crises

Table 2 The share of country groups in global material consumption (DMC) by main material groups, population, and gross domestic product (GDP; in purchasing power parities and constant 2011 international dollars) in 2010^a

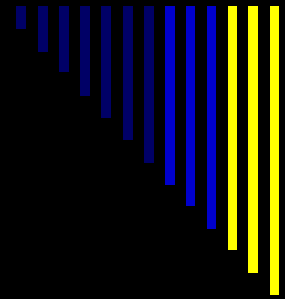
		Share in global total					
		Global total	Industrial countries	China	Former Soviet Union	Least developed countries	Rest of the world
Population	Billion head	7	16%	20%	4%	14%	46%
GDP	Trillion const. 2011 intern. \$	90	48%	14%	5%	2%	31%
DMC biomass	Gt/year	19	22%	17%	5%	9%	46%
DMC fossils	Gt/year	13	41%	29%	8%	1%	21%
DMC minerals	Gt/year	38	23%	44%	3%	2%	28%
DMC total	Gt/year	70	26%	34%	5%	4%	32%
DMC total	tons/capita/year	10.0	15.9	17.3	11.5	2.6	6.8

Source: Kraussman et al, 2017.



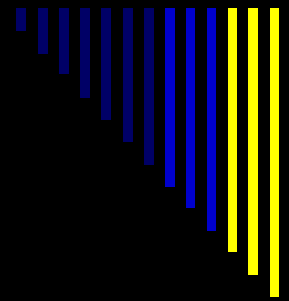
China beyond GDP

- Wen Jiabao (2007) : “China’s economic growth is unsteady, unbalanced, uncoordinated, and unsustainable” ;
- Shengxian Zhou (2011): “In China's thousands of years of civilization, the conflict between humanity and nature has never been as serious as it is today... the depletion, deterioration and exhaustion of resources and the worsening ecological environment have become bottlenecks and grave impediments to the nation's economic and social development... If our homeland is destroyed and we lose our health, then what good does development do?” ;



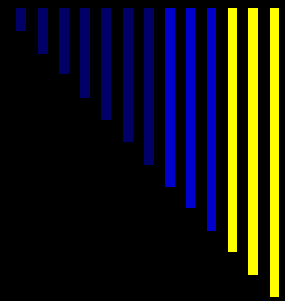
China beyond GDP

- Li Keqiang, March 13 2014: “We are not preoccupied with GDP growth. The GDP growth we want is one that brings real benefits to our people, helps raise the quality and efficiency of economic development and contributes to energy conservation and environmental protection.”
- 13th five-year plan (nov. 2015): “moderately prosperous society” by 2020; “from 2016 to 2020, setting a target of maintaining medium-high growth” ; GDP growth of 6,5% : “slower yet healthier economic growth”; “ecological civilization”;
- Xi Jinping, Opening speech, Communist Party congress, Beijing, 18 October 2017: “What we now face is the contradiction between unbalanced and inadequate development and the people’s ever-growing needs for a better life”.



The EU and the peril of growth

- Original sin of Maastricht Treaty: discipline in percentage of growth: ultima ratio of European integration;
- Compound mistake;
- Result: atrophy of cooperation and mutilation of prosperity;
- EU's schizophrenia: 2007, "Beyond GDP" conference but 2009: "Greek tragedy";



The EU beyond growth

- “Green New Deal” beyond growth : indicators of cooperation (tax and social competition) and well-being (environmental health);
 - National budgets: France vs Finland and New Zealand;
 - Municipal budgets: well-being of residents vs financial discipline and “attractivity” (e.g. Paris);
-