

85. ECONOMIC GROWTH: HOW MUCH IS ENOUGH?

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Have you ever heard the many jokes made about economists? They share with theologians a burden of awkward hilarity. But jokes about theologians are usually good-natured - like the definition of a theologian as someone who throws dust into the air only to then complains that he can no longer see clearly! Humour about economists is more pointed. Some remarks are good-natured: economists would rather use each others' toothbrush than each others terminology. But other comments are more biting - economics is common sense made difficult, or economics is a dismal science (Carlyle). And what about the following story? Mrs Margaret Thatcher, on a visit to Moscow, observed a military parade. After a succession of massive nuclear missiles had trundled past, there followed a group of shuffling, dishevelled, gloomy-looking men in rain-coats and sloppy hats. She was astonished. "Who are these?" she asked. The Soviet leaders explained: "These are our economists - they have the greatest destructive potential!"

But it is not my intention here to concentrate upon the strange habits, dismal folkways and destructive potential of economists. Mine is a mixed sense of concern and curiosity: a concern about the obviously growing dominance of the culture of economics in our society; and a curiosity about the role which modern economists play in the background. For the jokes I have just mentioned betray the uneasiness many people feel about economists, about the comings and goings of these members of a strange and alien subculture. Many know that a growing number of the big problems in our time are economic in nature. Further they know that these problems are seldom solved: there is world-wide poverty and also the problem of a return of poverty in the midst of very wealthy societies; there is enormous stress in the workplace and, on the other hand, lasting large-scale unemployment; and there is continuous environmental degradation. And so a doubt grows: is the way our problems are being dealt with by economists and politicians really trustworthy? Or, somewhat deeper: are the assumptions which underlie the present culture of economics realistic?

Behind these doubts there is a creeping suspicion that economists think in ways which lead to a growing domination of the economy and of economic yardsticks in our culture.

It is not, of course, that all economists agree. Even economists who are Christians have their differences, just as they have different toothbrushes. But at least one thing Christian economists will have in common: the conviction, growing from their Christian faith, that no assumption, and no standard of the culture of economics, can be elevated beyond critique from the outset. For it is contrary to faith itself to cherish the escape-route of a neutrality or self-sufficiency of science. The Christian faith teaches us that world-views do matter, even in economic logic and reasoning, and these world-views of course include the critical Biblical view of humanity, nature and society.

I do not say this, however, to defend a kind of Christian ideology. It is not my intention to develop a specific branch of Christian economics, which we could for example place next to an Islamic or a general humanistic type of economics. No, I do not propose to withdraw behind the walls of a Christian fortress. On the contrary, I propose the opposite: namely that Christian economists should broaden and deepen the general view or perspective which standard economics holds on humans, nature and society. Further, I contend that they should do this especially at this time, in these early years of the new millennium, when a large number of unsolved economic problems confront us. I do however suspect that there is some relationship between the superficiality of the dominant assumptions of the present culture of economics and the all too often inadequate reaction of economists to the problems of our time.

This point is very important and it needs a practical illustration to illustrate my point. Some years ago I was asked as a European economist to serve on an inter-disciplinary research group on the welfare crisis in the United States. Our central question was: why has poverty in the US become so persistent? Further, why has it has grown year after year, regardless of whether Democrats or Republicans are in the White House? To our surprise, our research-group, which included some people from US urban ghettos, found that at least a part of the explanation was related to the narrowness of the working paradigms used by modern social scientists - the economists, the political scientists, the sociologists - who served as expert advisers to the government and the various political parties. The influence which academicians have on the political debate is in the US so widespread that there is a special word for it: academocracy. We found that the persistence of poverty could to some extent be traced to the influence of academocracy. For example, there is an ongoing taking of sides in the US between Democrats and Republicans and it centres upon welfare versus workfare. On the one side, the Keynesian welfare-approach, accentuates the need for more spending by the poor; the other side, the neo-classical workfare-approach, stresses the need for stronger incentives to get people to accept work and to go to work. But why only these two approaches? That

is what we came to ask ourselves. Both sides are strongly symptom-related, and furthermore they both deal with poor people more as objects than as social or economic subjects. Why two approaches? The answer was in fact quite simple: this is the standard way that economic textbooks treat poverty. The textbooks pay scant attention to causes of growing poverty like social exclusion in the context of economic enrichment, or to the possible role of the poor themselves. But the possible political measures which would address such causes are too easily neglected in the standard textbooks and in fact a fiscal demotivation of enrichment and the strengthening of community-development by the poor could possibly hit the very heart of the problem.

Hidden world-views may disorient academic disciplines, but the impact can be seen upon the state and its policies and the structure of society. Now this being so it leads us to an interesting question: has the narrowed academic perspective of economists to the issue of economic growth had an impact upon the general culture and political opinion? That question is my concern here. It seems rather important to me. In fact there are no claims in our modern society more insistent and compelling than that claim which stresses the necessity of continued economic growth. Growth is seen as the basis of almost everything which is good and desirable. It is the basis of more jobs and of the reduction of the public deficit; it is viewed as the basis of the maintenance of a good health and social security system; it is the basis of more adequate environmental protection and increased development aid. So it is our culture's common conviction that we have to strive for the highest degree of productivity and competitiveness in our economy - and continued economic growth is necessary even if at times it requires substantial sacrifices in human relationships and natural resources.

This way of thinking, I believe, is one of the roots of the still growing dominance of economics in our culture. By holding this view we allow economic yardsticks to be decisive in most of our lives. But is this way of reasoning correct? Is it the only possible way of thinking? Do not its underlying theoretical assumptions need critical testing - for instance from the broader perspective which the Bible provides?

Questions like these have puzzled me for many years. Almost thirty years ago, in my PhD thesis in 1970 about unpriced scarcity, I began wrestling with them academically. I wrestled with them politically in 1976 when I wrote the election platform 'Not by Bread Alone' of the Christian political parties in the Netherlands. But these questions have never been as urgent as they are now. We are living in a time of intense globalization, in which all modern nations feel compelled to maintain and expand their so-called competitive advantage over other nations. Competitiveness and growth have now become the new absolutes for all so-called good

government. We have to expand economically simply to exist: I am growing, therefore I am. And all this is happening at a time when serious warnings can be heard: that this competitive struggle between the rich countries is diminishing the chances for the poorest countries; a continuous expansion of production and trade is threatening the diminishing carrying capacity of the earth and is destabilizing the world's climates.

But do we have any choice? Is there any viable alternative in these early years of the new millennium? Shell and the World Trade Organisation took over Mrs Thatcher's well-known TINA slogan: There Is No Alternative. Their implicit message is that so-called doomsday-thinkers should keep their mouths shut.

And so at this point the discussion can easily turn grim - as is usually the case when implicit assumptions come to the fore. I am always happy to engage in abstract debate with fellow-economists, but in this lecture I want to widen the discussion by briefly identifying the Biblical sources of my academic inspiration. I happen to believe that those sources are needed to overcome impasses like the ones I have been referring to and lead us to a fresh re-appraisal of some of the most compelling issues of our time.

Let me begin by referring to a spiritual impulse which comes directly from the New Testament. In his parables Jesus often spoke about stewards, good stewards and bad stewards (e.g, Matt 20.8; Luke 12.42). Behind His words you feel a deep respect for the God-given rule of *oikonomia*, the good care which is needed for the *oikos*, the household. For Jesus the word economy - Greek *oikonomia* - was a divine mandate. It included the care of the land and a concern for the wellbeing of those who live from its fruits. For Jesus it was an economic and not just an ethical rule that workers receive their food on time! Remarkably, in Jesus' words about human economic life there is also a future perspective. The Lord of the land Himself is due back to ask all His servants to render their accounts of their economic behaviour (Luke 16.1ff). And that accountability is not only required of persons but also of the **ethne**, the peoples or nations of this world (Matt 25.32). It is as the Great Economist that God will judge them all.

Now at first glance these references may seem unrelated to the present debate about economic growth. But let us not jump to that conclusion too quickly. In these New Testament texts, economy, responsibility and accountability are closely inter-related; they simply cannot be separated. But, we may ask, how far have we succeeded in separating them, for instance by splitting them into two - into a physical and spiritual compartments? This is an intriguing question, for when we ask this we

can include scientific economics and our society as a whole.

When we address our modern society the question runs like this: have we built our society on the silent premise that the factual world functions by mechanisms which are, in principle, infallible? Is this how we avoid a lot of nasty questions about responsibility and economic accountability – including questions of growth?

And on the level of economics as a science the question runs: have we as economists, because we wanted to be as neutral and as scientifically objective as possible, fallen into a world-view that is too mechanical, that is closed to any kind of value-oriented normativity? One of the main characteristics of our subculture as economists is this: we want above all to be seen and valued as competent scientists. We have wanted this recognition at least since John Stuart Mill, protested against the refusal by the father of sociology, Auguste Comte, to view economics as a legitimate positive science.

I believe it is vital that we economists ask these critical questions - not least in evaluating economic growth. For if we economists strive for value-freedom at all costs, then in the first place we will be unwilling to speak even one critical word about the quantity and quality of what human beings want. We will treat all these desires simply as data, as given factors; so our study of economic growth will concentrate on questions of use and allocation of means, and will avoid the question of the choice of ends. And in the second place, because we want to avoid all qualitative and subjective opinions, we will also speak only about objectively measurable entities, like quantities and prices. And so our approach as economists to the issue of economic growth becomes shrunken and small. Our main concern is with attaining a maximum expansion of an output which is well-allocated, that is an output in which the allocation of all products is guided by a properly functioning market mechanism.

Can you not see that in this way a serious reduction has taken place? This way of thinking regards economic resources like labour and land in an instrumental way; they become objects of use, not objects of care. This way of thinking therefore leads to a lack of an economic critique on the commercially promoted explosion of human needs in our already rich societies. For needs can be produced just as commodities are produced, notably by the input of the seductive devices offered by mass media. So the final result can be that, instead of a decrease of scarcity, an increase of scarcity is taking place. Think here for instance of e-commerce and advertising campaigns which push the level of human needs and desires artificially beyond the level of their possible saturation. And all this is confirmed by what we daily see around us. We live in a post-modern

society in which there is both an abundance of information and a growing general sense of scarcity, for which increasingly more growth is needed.

Our society is thus characterised by a reduced sense of economic accountability and care: for the market mechanism is in fact not the best possible compass to guide us to a good outcome.

However, critique on its own does not help. We should therefore not evade the question of alternatives. In a time in which the need for a stronger economic growth has become so strong and compelling we need to get serious and ask whether it is true that there is no alternative? Here I want to draw your attention to a second source of inspiration – the Biblical texts relating to the economic life of ancient Israel. I read these texts anew when I, as a young University professor, was asked to teach a course in the theory of economic systems. To my surprise I found that the regulations of the Torah about work and interest, land and rest, were the ingredients of a complete and coherent economic system.

There is an underlying economic cohesion between the separate rules of the Torah (the first five books of Moses). Think for instance about the strange rule in Deuteronomy 23.20 which says that in general it is not permitted to claim interest for loans with the exception of loans to foreigners, whom one may compel to repay with interest. "On loans to a foreigner you may charge interest, but on loans to another Israelite you may not charge interest". That is a text which appears discriminatory and just plain wrong, until we realize that Israel had to uphold its own distinctive economy in the midst of a world in which the payment of high interest was a common practice. If every foreign banker could borrow Israelite money at an interest-level of zero without repayment, just because the Law of Israel said so, all Israelite capital would have flowed immediately to the neighbouring economies. So we meet here an economic-political provision to keep the necessary capital within Israel's borders. The system was not meant as a utopian device; it was obviously designed to work in practice and to lead the people to prosperity. Then this thought occurred to me: in this system of Torah economics is there not perhaps a hidden wisdom which might have value for our time?

Now it may seem absurd even to ask this question. For referring to the Torah means dealing with the rules and institutions of a totally different society, which was primarily agricultural in nature. And these rules and institutions are old – four millennia old. But this sense of remoteness may begin to change if we note that every economic system, of whatever historical period, has to find a kind of internal balance between necessary inputs and desirable outputs. In ancient Israel this balance was in some sense unique, or in any case was remarkably different from

all modern market - and planned - economies. Let me explain.

When we economists refer to the increase of the GDP (Gross Domestic Product) or GNP (Gross National Product) as an index of our economic growth, we know that these indices represent outputs – the sum of all the values which were added to the economy by the overall expansion of the output-level. But to enable such an increase in output, an enormous quantity of inputs was needed in terms of the use of labour, capital, and natural resources. Of course, economic systems can differ markedly in their adherence to either market or planning-principles, but they can also differ in their primary orientation to either the level of output or input. In all modern economies the primary orientation is geared to the level of output. We want to maximize the growth of our production, and we therefore implement and enforce stringent rules of efficiency and productivity in the area of input.

But in ancient Israel the primary economic orientation was to inputs. Just look what this meant in Israel with regard to the main production factors of labour, nature and capital. Labour: in Israel it was not allowed to subject any labourer to harsh treatment – a slave was immediately freed if only one tooth was knocked out, and all workers were entitled to enjoy their daily and the weekly rest. Further, the Land, the vital economic factor in ancient Israel, was protected by numerous legal measures. Every seventh year – the sabbatical year – the land was to be rested from cultivation, while it was fertilized by the cattle, so it would be ready for a new cycle of cultivation. And Capital? It was made available for all people. This was arranged by an open and public discouragement of any strong accumulation of capital. For example, investment in land was impossible in Israel, because the Jubilee laws required that every 49 years land had to be returned to its original owners. So the demand for capital and the supply of capital could indeed meet each other around a zero-level of interest. All this made Israel a predominantly input-oriented economy: the good and healthy condition of land, labour, capital and environment was basic to all economic processes and was enabled by an overall preventive care – a care which included even access to the land for the poor.

Of course such a radical orientation of an economy toward the preservation and regeneration of inputs has a price: it diminishes the possible final level of output. But in ancient Israel the height of that level was of secondary importance. For the soil was fertile enough to lead to good harvests, the needs of the people were limited, and extraordinary outputs were seen as surpluses which enabled feasting together, enjoying the abundance of the Lord with all the members of the community. For all the Israelites knew, and maybe they knew it better than we do, that there can only be a sense of abundance if there is first

an awareness of having enough - for, literally, abundance means overflowing, having even more than enough.

We have considered ancient Israel and noted that its economy was characterised by 'inputs' rather than by higher levels of outputs. Let us consider this in light of our contemporary values. At first sight it looks plain crazy: this determined focus upon the condition of inputs and an apparent reckless disregard on the output side. But is that really the case? To put it pointedly: why, when we speak of economic growth, do we only talk about the volume of the output side of our economies and never about the condition of the input side? Have we, in our western economies, emphasized outputs to an extent that we have demeaned inputs; become so preoccupied with outer growth, that we have neglected the possibility of an inner growth of our economies?

I think that the answer is an unequivocal yes. In our rich societies we are now even reaching the point – indeed there are indications that we have already passed it - that the value of further increases of the outer growth is more than offset by reductions in the inner growth of the economy. Just think of the many people in the production-process who are working under permanent stress and are facing burn-out; in the Netherlands this amounts from one-tenth to one-fifth of the working population. Think also of the millions of people who have become unemployed for similar reasons. And think about the ease with which we accept further burdens on our environment, greater destruction of the fertile topsoil and the buildup of greenhouse gasses, merely to reach a somewhat higher level of outer growth. And think last but not least about the lack of available and cheap capital, especially for poor people and for the indebted countries – precisely because we as rich countries want to give priority to our own consumption and output. In our economies the balance between inner and outer growth has become distorted; it has shifted far too much to the output side. Somehow in our modern arrogance we have missed the wisdom of ancient Israel, whose economy was an economy of abundance (shalom) and inclusion on the base of limited means. In contrast, ours is an economy of scarcity and exclusion on the base of an ever-expanding flow of means.

Now this insight could be a key for the liberation of our economies for which so many in our societies are looking. But how can we use that key? We obviously have to redress a balance. But how can we, in our countries and cultures, imagine an alternative? I would like to make two suggestions.

My first suggestion is derived from the wisdom which is evident in every growing tree. The tree grows in height, which relates to outer economic growth; but it grows also inwardly, in the silent process of building up its

fruit-bearing capacity. This happens by the inclusion of all cells and by an enriching symbiosis with its environment. This combination of inner and outer growth is something that we have not been able to realize in our tunnel-economies. For we include some people but exclude others – those who stay unemployed or are living in the poor South – and we increasingly overburden our natural environment and cause stress in a lot of human bodies and souls by the way in which we are producing things. And so the question occurs: how can a simple tree do what we are unable to do, combining those various goals and keeping the balance? The answer is as simple as it is surprising. The tree is able to do this by using restraints, by refraining from the desire to grow up to the heavens and to reach the clouds. At a certain moment, led by what we could call an inbuilt wisdom, the tree reaches maturity; it stops its further vertical growth in order to use its reserves fully to bear fruit and produce seeds.

In my view this analogy contains a valuable lesson for all modern economists and politicians. Only when we exercise restraint, only when we invoke the discipline of withholding, does inner economic growth become a real possibility.

The wisdom of self-limitation can be partially illustrated by the success of the Dutch polder. This is a model of cooperation between the employers and employees who make contracts with each other to ensure the creation of more dignified workplaces that are environmentally-friendly. They agree to uphold as essential Dutch welfare-provisions. All of this comes on the basis of an openness to restraint in regard to their respective financial claims. Notably, the labour unions have been willing to support a trade-off between these broader goals and the maximum rise of their own disposable wage-income. Of course these contracts are sometimes difficult to make; the negotiations can be hard. But experience has shown that it works, even in a highly export-oriented economy like Holland which will lose out completely if it fails to maintain its high level of competitiveness.

My second suggestion is related to the almost forgotten need for an enlarged, broadened type of economic responsibility. For too long our societies have trusted well-functioning mechanisms, like the market mechanism, the democratic mechanism, and even the plan mechanism, to produce good outcomes. Mechanisms however cannot save us. They can even tempt us to neglect basic responsibilities for our neighbours, for our environment, for the wellbeing of our children and grandchildren. So while we think that we all are wide awake and alert, we can in fact be asleep, hypnotised by the soft and seductive voices that lull us into thinking that we should not fear, because Growth is with us and the staff of the Market will help us and lead us; through all valleys of economic

death.

But I am convinced that the time has come to wake up. Think of the parable of Jesus (Matt 25.1 ff), in which those who were fast asleep were awakened with the shout that the Lord was coming. Our situation is analogous. For our environment is in genuine peril, nations in the South are really perishing, and we are overburdening both others and ourselves. So the moment has come for our rich economies to leave childishness behind and to come of age; it is time for us to decide deliberately for "enoughness", for contentment, wherever and whenever that is needed for the transformation of our economies. For if such a willingness were to grow in our culture, it could induce at least some - and maybe in the course of time a growing number of producing companies - to extend their economic services to the public, producing their goods with better care for the environment, less stressful labour-conditions, and a fairer compensation for their trading partners in the South, in exchange for either higher prices or lower wage-demands. Labour unions could then consider whether they would be willing to pay for this in terms of a diminution of their wage-claims, while consumers would have the choice to opt for a socially and ecologically better product in exchange for a somewhat higher price. For always more is the silliest formula to live by, and our task as Christians is primarily one of support and restraint.

Likewise governments, according to a suggestion of George Goyder, could play a part in this. They could designate companies which pioneer in the field of enlarged and widened forms of social and environmental responsibility with a "public company" label, so that these would be recognizable by the public.

We should also expect our governments to take action in the international field. Our governments should not only be willing to cooperate and conclude global agreements about environmental restraints (Rio, Kyoto); they should also be prepared to meet together for a second Bretton Woods conference on the International Monetary System. In that conference the turbulent ship of global finance could be re-anchored in solid ground - a ground which can be found only if the rich countries understand that they have to grow into new patterns of material saturation and serviceable fertility, as well as making financial room for the unfulfilled basic needs of the heavily indebted poorest countries.

Christian students in Surabaya, Indonesia, put it well in their pre-millennium conference about globalisation. They declared that TINA, the motto that there is no alternative for our economies, is a lie; in its place they proposed a new slogan: TATA – There Are Thousands of Alternatives

- especially for those peoples and nations which want to act on the base of their own true economic responsibly.

May their words become our words and may we find the path where enough is abundant, where care and restraint characterise our renewed lifestyle of service to all our neighbours.

(The conference Professor Goudzwaard referred to was the International Seminar on Alternative Economies in the Global Market System, held in Surabaya, Indonesia, October 23-25, 1996. This is referred to in *Living together in Plurality and Justice* published by Social Welfare Guidance Foundation, PO Box 284, Solo, Indonesia.)