

Socio-economic dimensions in Ecological macroeconomics

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Sectors and institutions to be redesigned for a post growth society

Irmi Seidl

Swiss Federal Research Institut WSL

Research Unit: Economics and Social Sciences



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Plan

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1. Concept & content of “Post growth society”

Starting points

- Long lasting and profound critical growth debate; ecological limits, no absolute decoupling
 - Politics and economics stick to economic growth – Why?
- ⇒ Possible explanation: basic societal and economic sectors and institutions existentially depend on economic growth
- ⇒ Assumption: If knowledge, how these sectors and institutions could do without (less) economic growth and how to get there, politics may not stick to growth



1. Concept & content of “Post growth society”

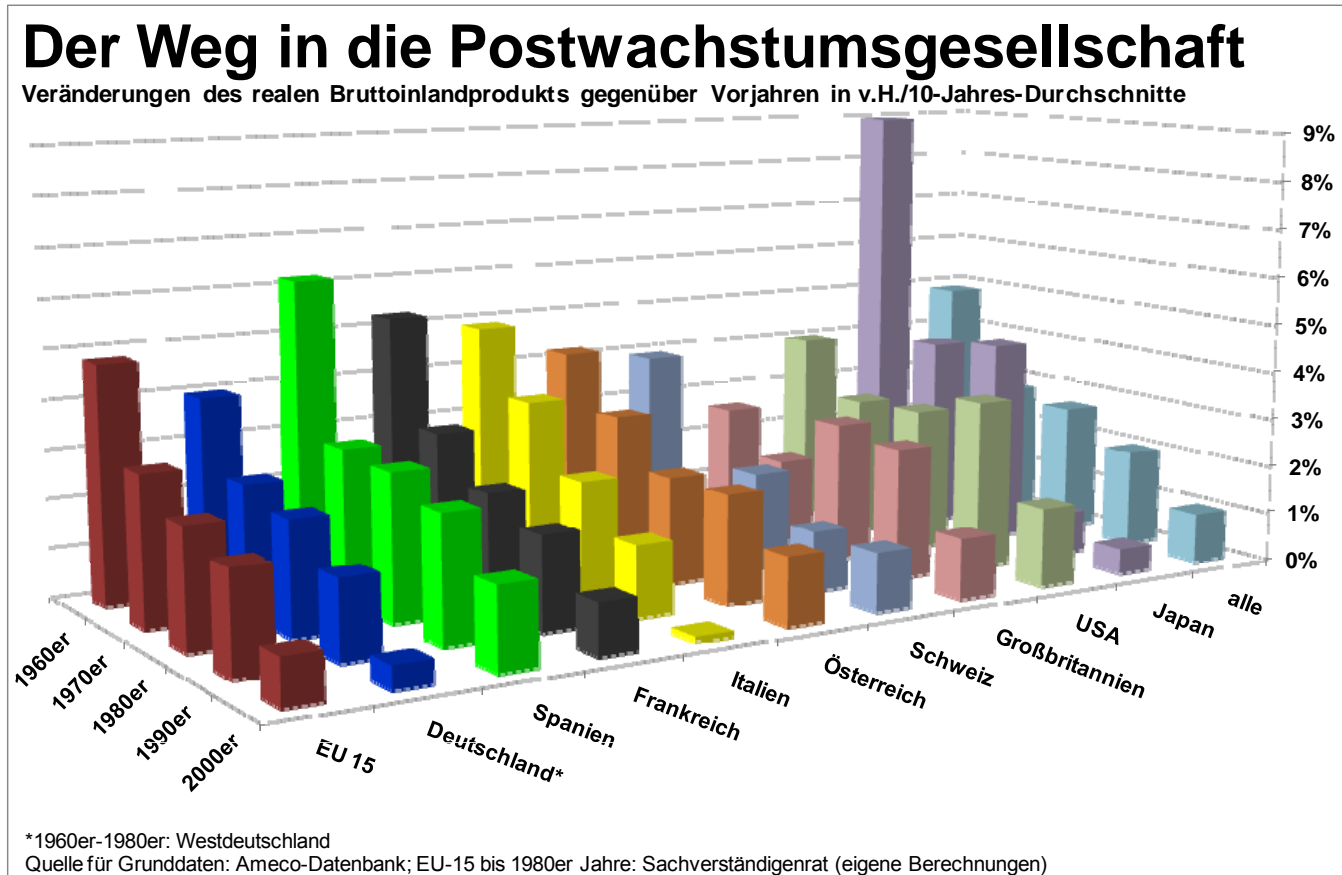
Characteristics of “Post growth society” (preliminary version)

- 1) No politics and policies to increase economic growth
- 2) Political and economic sectors and institutions depending and/or pushing economic growth are redesigned
- 3) Growth in energy and resource consumption is stopped and the consumption is reduced according to sustainability objectives



1. Concept & content of “Post growth society”

Relevance to (Ecological) macroeconomics



1. Concept & content of “Post growth society”

Relevance to (Ecological) macroeconomics

Keynes (1943/1980) (*Long-term problem of full employment*)

3 phases of economic development

- 1. High inducement to invest ($I > S$)
- 2. Urgently necessary investments are realised ($I = S$)
- 3. Investment demand saturated ($I < S$) ($I =$ depreciation funds) (= golden age)

(=> encourage wise consumption; discourage saving; absorb surplus by more leisure, holidays, shorter hours; change social practices and habits)



1. Concept & content of “Post growth society”

Relevance to (Ecological) macroeconomics

Present Macroeconomics based on post WW II situation

Not (hardly) taking into account

- Welfare state and its subsectors
- “Modern” finances and money system
- (Economic) globalisation
- Rise of third sector
- Ecological limits



2. Sectors, institutions

2.1 Old age assurance

2.2 Health system

2.3 Labour, employment

2.4 Corporate constitution

2.5 Fiscal system

2.6 Public finances

2.7 Monetary system

2.8 Distribution of income and wealth



2. Sectors, institutions

2.1 Old age assurance

Most retired people depend on payments; twofold demographic ageing

Dependence on GDP-growth:

Pay-as-you-go principle: many employed, high wages/taxes
(GER: payments = 10% of GDP, part of public funds: 20%)

Funding principle: return on capital important part of payments (in CH: 60-80%), high value of accumulated capital
(CH: 120% GDP in pension funds)



2. Sectors, institutions

2.1 Old age assurance

e.g.

=> Supplement monetary contract of generations by non-monetary, social contract

=> Extend employment, distribute better working time through life, engagement in societal important tasks

=> More flexible retirement

=> Change structures in firms to engage older people

=> Promote health in old age



2. Sectors, institutions

2.2 Health system

Important (growth) sector (Part of GDP: CH/GER:12%, US:16%)

Growth health expenditures > growth GDP

Ø 73% of health expenditures from public funds (OECD)

Dependence on GDP-growth:

-Increasing premiums / taxes to finance growing expenditures, ageing society, diseases of civilisation, medical-technical progress



- important labour market

2. Sectors, institutions

2.2 Health system

e.g.

=> Double fund for health premiums (one to be used, one to save money)

=> Higher personal responsibility for health, premium reductions

=> New models of medical/care management

=> Support of non-invasive treatments, palliative care

=> Limiting power of stakeholders



2. Sectors, institutions

2.3 Labour, employment

High and costly unemployment, reduced tax income

Increasing labour productivity, high cost of labour

Saturated demand for goods and services

Dependence on GDP-growth:

- Overcome employment threshold: 1-2%
- Reduce existing unemployment
- Realise tax income, social security contributions



2. Sectors, institutions

2.3 Labour, employment

e.g.

=> Ecological tax reform to change relative prices of labour and energy/resources; reduce burden of social security contributions

=> Reduce working hours (without salary compensation)

=> Develop service sector

=> Harmonise better education system and labour market



2. Sectors, institutions

2.4 Corporate constitution

Growth compulsion: capital interest yield

Growth desire: maximisation of profit, tax incentives, globalisation (Binswanger 2006/2009)

Dependence on GDP-growth/corporate growth:

high: stock corporation (bonus, interest yield) and international firms (Bakker et al. 1999)

lower: cooperatives, regional & family business, foundations



- growing markets, economies of scale, competitiveness

2. Sectors, institutions

2.4 Corporate constitution

e.g.

=> Limit stock corporations (max. capital, responsibility beyond value of stock, stock corporations may not own other stocks, sell back stock after 20 yrs for emission price)

=> Ease legal conditions of cooperations, foundations



2. Topics, sectors, institutions

2.5 Fiscal system

Fiscal system based on national growth economies

Growth incentives: depreciation allowance, incentives to use infrastructure/ecological resources etc.

Taxing labour, much less resources/fortune

Dependence on GDP-growth:

- compensate decreasing tax income (unemployment, tax optimisation of international corporations), finance public expenditures, debts



- to not question provision of public goods, sources of taxes

2. Topics, sectors, institutions

2.5 Fiscal system

e.g.

=> Eliminate incentives for growth and higher labour productivity

=> Change sources of fiscal income (less on labour, more on fortune, heritages)

=> Improve taxing of international operating firms



2. Sectors, institutions

2.6 Public finances

High debts in all industrialised countries; debt growth $>$ GDP-growth (eg. GER since 1950: 175 : 50, Reinhardt/Rogoff 2010)

Interest \geq new debt

Overall optimistic assumptions on growth

Dependence on GDP-growth:

- keeping up illusion that public debt will be paid back or at least interest paid



- restraining debt trap

2. Sectors, institutions

2.6 Public finances

e.g.

=> Realistic growth assumptions

=> Debt stop /instruments and regulations to stop further debts

=> Restructure debts???

2. Topics, sectors, institutions

2.7 Monetary system, Role of banks

Creation of money (credit) by banks most relaxed

M3 skyrocketed

Dependence on GDP-growth:

- creation of credits is lucrative business for banks
- maintaining/increasing value of loans, credits, stocks, bonds



2. Topics, sectors, institutions

2.7 Monetary system, role of banks

e.g.

=> 100% money

=> limit credit creation, M3

=> limitation of bank activities to financial services, no activities for own profit



2. Sectors, institutions

2.8 Social distribution of income and wealth

Promise of growth: reduce inequalities

Unequal distribution of income and fortune is increasing

Mainstream economics: inequality / equality fosters growth

Dependence on GDP-growth:

- Promise to restrain/decrease inequalities
- Avoiding distribution conflicts, questioning provision of public goods



2. Sectors, institutions

2.8 Social distribution of income and wealth

e.g.

=> New theories and paradigms regarding social distribution

=> Take back rising inequality of last 20 yrs

=> Increase provision of public goods (by whom?)



3. Some further elements of Ecological macroeconomics

Role of consumption sector/consumer demand (major growth engine)

Role of enterprises in influencing demand

Importance of service sector – potentials, dangers; relationship of sectors

Production function – enlarge with natural capital, impacts on ecosystems

Ecological limitations in a global economy and impacts on national economies

Potential for macroeconomic imbalances and fluctuations in a globalised economy



4. Need for research and public debate

Replace growth theories at the basis of macroeconomics by theories to design “golden age” economy

Development of a non-monetary, social and intergenerational contract to add to monetary contract

Potentials of life-long learning, integration of old people in labour market/societal activities

Development of health insurance schemes restraining expenditures, increasing quality

Schemes and impacts of reduced working hours, integration of different kinds of work into society/economy

Role of government in providing public goods; size of public spending ratio



4. Need for research and public debate

Tax system *assuring ecological limits, *avoiding growth incentives, *absorbing parts of purchase power and profits; impacts on labour cost

Basic income: impacts on economic growth

Limitation of stock corporations; potential of foundations, cooperatives as enterprises

Potential of 100%-money, limitation of role of banks

Theories and models to improve social distribution in a post growth society; economic and societal implications of equal/inequal distribution



Role of political parties, election system and governmental system on economic growth

Illusion of economic growth, as nurtured by mainstream (macro)economics and politics, is dangerous as it helps to ignore the need to reform various economic and societal systems and institutions

Transition to post growth society is only sufficient to meet the environmental objectives following the requirements of sustainability if these are explicit objectives.



Publikation:

I. Seidl, A. Zahrt: „Postwachstumsgesellschaft. Konzepte für die Zukunft“, Metropolis Verlag, Marburg

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Mit Beiträgen von: J. Radkau, F. Höpflinger, H.P. Studer, C. Ax, N. Reuter, I. Roepke, M. Möhring-Hesse, G. Scherhorn, L. Jarass, H. Koch, T. Jorberg, B. Meyer, C.v. Braunmühl

