If everyone stands on tiptoe, no one sees better: *Social Limits to Growth* Revisited

Introduction:

Exactly forty years ago, in 1972, the Club of Rome published a Report titled *The Limits to Growth*[i]. The book became an almost immediate world-wide best-seller. Despite (or perhaps partly because of) the heavy criticism it attracted from establishment economists, *Limits to Growth* turned out to be one of the most influential books published in the last half of the 20th Century.

Its central message: rapid growth in both population and industrialization have resulted in dramatically increased world production and consumption which, in turn, leads inevitably to unmanageable problems of resource depletion and environmental pollution. Technology can ameliorate the problem somewhat and might slow the onset of the coming crisis, but technology can't save us. The take-away message: There are too many of us and we produce too much and consume too much. Ultimately, given the finite nature of our planet, the prospect of unlimited economic growth is a delusion. The Report concludes that if we continue to pursue unlimited growth in a world of finite resources – including, pre-eminently, a finite carrying capacity for waste - then we will face environmental collapse, and that collapse is likely to come sooner rather than later.

In 1993 the authors published a 20 year update, *Beyond the Limits*[ii] and then, in 2004 they published *Limits to Growth: The 30-Year Update*[iii], continuing to argue that, without deep systemic changes, the industrialized world is heading for economic and environmental collapse. Not surprisingly, the Report, along with its updated versions, continues to generate controversy among economists, environmentalists, politicians and concerned citizens. Some strenuously defend the predictions of the Report(s) as a realistic description of what is happening in our world; others discount the predictions of pending environmental crisis as alarmist fear-mongering.

I was one of those whose view of the world was influenced by the publication of *Limits to Growth.* For me, as for many people on the left, this was the birth of our commitment to "eco-socialism". Industrialized societies of various ideological stripes were unceremoniously hauled into the court of environmental justice, charged with and then convicted of serious crimes against the future of humanity.

Then, only a few years after the Club of Rome's bombshell Report, Fred Hirsch published *Social Limits to Growth*. Its impact on the intellectual climate was somewhat muted but no less important. Hirsch does not for a minute deny the Club of Rome's central claim that there are physical limits to economic growth - limits which require every sensible person who cares about the future of humankind to repudiate the dangerous dream of

endless economic growth. But he argues that long before we reach these physical limits we will butt heads with a different but no less menacing challenge.

Hirsch has a powerful story to tell and it's a story that helps to make sense of the world in which we live.

Are we locked on a hedonic treadmill?

As Adam Smith recognized in *The Wealth of Nations* [1776], economic growth is a central defining characteristic of capitalist market societies. Smith saw this as a very good thing since it is the impressive accumulation of wealth under capitalism that generates material improvements, even for the "lower orders" of society. This was especially true for those living in the imperialist heartland; rather less true for those living in the exploited colonial hinterland. A century later, for all his critical shafts aimed at capitalism, Karl Marx echoed Smith in heralding the growth-generating capacity of capitalist market societies.

In our own day, the prospect of endless economic growth seems to have come to an end, at least in the West; but, prior to the current economic crisis and recession, per capita real income had been doubling every generation for at least a century and a half. The Baby Boomer generation, for example, is roughly twice as wealthy as their parents, four times as wealthy as their grandparents, and incomparably wealthier than ordinary folk in Victorian Britain.

But would anyone argue that the Boomers are twice as happy as their parents, four times as happy as their grandparents or incomparably happier than their forebears from the time of the Industrial Revolution?

Professor Richard Layard, a leading contemporary figure in the new field of "Happiness Studies", looks at data from the wealthiest and most powerful capitalist economies and, based on these data, tells us that "for most types of people in the West, happiness has not increased since 1950.

> **In the United States people are no happier, although living standards have more than doubled. There has been no increase in the number of "very happy" people, nor any substantial fall in those who are "not very happy".[iv]**

In Britain, Japan and Continental Europe the same phenomenon is observable: "Despite massive increases in real income at every point of the income distribution" happiness has flat-lined or has increased only marginally. Moreover, when we compare one Western industrial country to another, "the richer ones are no happier than the poorer".

In short, when studies measure the relationship between changes in income and changes in happiness what they tend to find is that extra income makes a big difference to people's happiness when they are struggling with physical poverty. By contrast, extra income

contributes very little to the happiness of those who are no longer poor. This fact would not have surprised 19th century economists, who labeled it the principle of diminishing marginal utility.

So, although it might seem paradoxical at first glance, "when people become richer compared with other people, they become happier. But when whole societies have become richer, they have not become happier – at least in the West." [p. 31]

Competition for Positional Goods

Fred Hirsch spends roughly the first half of *Social Limits to Growth* attempting to explain why economic growth has had such disappointing results – at least for societies that have made the great leap from starvation to poverty and then to affluence. He wants to explain "the paradox of affluence": Why are we so focused on economic growth even though, when achieved, it yields little satisfaction?

Hirsch's explanation hinges on the distinction between "material goods" and "positional goods". [Indeed, it seems to be Hirsch who coined the phrase "positional goods".]

Material goods are those whose enjoyment is independent of the number of others who are also consuming them. For example, the enjoyment I derive from watching the Winnipeg Jets on my 60" flat screen TV is not diminished by the fact that a large number of other fans are simultaneously watching the same game on their televisions. But when I try to purchase tickets for a Jets game I will quickly discover that demand is so great and supply so limited that the tickets cost a fortune and have nevertheless been snapped up by frenzied fans willing to mortgage their children for the opportunity to see "their team" perform live.

Similarly, the advantage I get from a post-graduate university degree will certainly diminish or perhaps vanish altogether when so many others graduate that I cannot parlay my degree into an elite job but am forced, instead, to become a waiter or a taxi driver. My pleasure from an exotic vacation to unspoiled wilderness will surely be vitiated when a stream of jumbo jets disgorges thousands of other tourists to the same place at the same time. The freedom and independence I derive from car ownership will not survive the endless congestion produced by near-universal car ownership. Everyone cannot be an "A+ student" or an "elite athlete" or, if everyone were somehow to be awarded that grade or that status then the magic of these attainments would entirely vanish. Here's how Hirsch puts it:

> **The value to me of my education - the satisfaction I derive from it - depends upon how much education the man ahead of me in the job line has. Ditto my car or my country cottage. This factor is more important than the intrinsic features of the good/service, e.g., the speed of the car or the spaciousness of the cottage.**

Moreover, when everyone stands on tiptoe, no one sees better but there are a lot of people with sore ankles. As Robert Franks has argued, the competition for positional goods creates adverse side-effects. When too many of us strive to buy homes in upscale neighbourhoods (with good schools for our kids) the cost of such homes escalates and most of us are priced out of the market. In the language of game theory, the competition for positional goods is a zero-sum game.

What these illustrative examples make obvious is that positional goods cannot be democratized, either because they are inherently scarce – not everyone can study at Oxford or Harvard - or because when they are widely disseminated they lose the very qualities for which we sought them in the first place – when everyone has a university degree then possession of such a degree will often lead to a dull and poorly paid job. Positional goods give pleasure or satisfaction precisely because but only when one has them while most others do not. Groucho Marx summed up the point memorably when he roundly declared "I don't want to belong to any club that would accept me as a member."

The Struggle for Social Status

As Western industrial societies have become steadily more prosperous, the focus of our efforts and energies has shifted from the satisfaction of primary needs towards the quest for higher social status. Paradoxically, in this competitive quest for status, pursuing the goal of higher income becomes more important than it was as we struggled to emerge from poverty.

Interestingly, Fred Hirsch is by no means the first economist to recognize that the scramble for wealth becomes more frantic as societies become more affluent.

As long ago as 1759, in his treatise *The Theory of Moral Sentiments* (Edinburgh), the great Scottish moral philosopher (and economist) Adam Smith posed the key question: "To what purpose is all the toil and bustle of the world? What is the end of avarice and ambition, of the pursuit of wealth, of power and pre-eminence?"

Smith perceptively describes how industrial man, having achieved his initial goal of bare subsistence doesn't then decide to put up his feet and smell the roses. Instead, he doubles and redoubles his efforts to accumulate more wealth. But why? Smith explains our ceaseless striving to better ourselves as following from the need for social status: "To be observed, to be attended to, to be taken notice of with sympathy, complacency, and approbation, are all the advantages which we can propose to derive from it. The rich man glories in his riches because he feels that they naturally draw upon him the attention of the world. The poor man, on the contrary, is ashamed of his poverty."

In other words, mere subsistence fails to satisfy us because we crave "rank and distinction". We strive to be recognized as someone who counts; we want to be recognized

as "somebody". Having satisfied our basic material needs we nevertheless pursue ever greater income and wealth – mostly because we value high status. And why do we value status? Smith claims, with some plausibility, that our self-respect depends, as to a significant extent does our happiness, upon the attention and respect of others. The surest way of attaining *this* objective, in a society with capitalist marketplace values, is to enjoy a surfeit of material goods, especially those which are scarce and which thereby convey enhanced prestige. A Rolex rather than a Timex.

The same psychological insight may be found, 150 years earlier, in Shakespeare's *King Lear*. Lear's wicked daughters, Goneril and Regan, decide to strip away his entourage of knights and servants who are, they claim, superfluous to his needs. Their servants will look after him. Lear responds with passionate outrage: "O, reason not the need! Our basest beggars are in the poorest thing superfluous." Lear's reason may be disintegrating but he nevertheless understands that to flourish one needs more than the material necessities of life. His knights define him as a king or, in his case, an ex-king. They are essential to his identity (in a feudal society).

The radical political economist Thorsten Veblen, writing at the end of the 19th century[v], coined the phrase "conspicuous consumption" to explain why "consumptionism" has become the dominant religion of advanced Western societies. Consumption must be conspicuous if it is to generate status. In our day, of course, the religion of consumption is growing most rapidly in the newly emerging economic powers of India and China. The prospect of additional billions of consumers driving private cars and eating a diet heavy on meat would be exciting if it were not also a guarantee of worldwide global warming and consequent economic collapse.

Fred Hirsch does more, however, than explore and develop these important themes. He uses them as the basis for his theory that there are social limits to growth – social limits that will undermine advanced capitalist societies well before these societies crash into the physical limits to growth posed by the twin dangers of resource depletion and environmental degradation.

Why "the affluent society" is an illusory goal for most people

For most of human history, the ruling class pursued ruthlessly its extravagant impulses while the rest of humanity- slaves, serfs, peasants, proletarians – were condemned to live hard-scrabble lives, frequently on the brink of destitution. The glory of capitalist productivity has been the creation of a large "middle class" and the diffusion of material advancement to ordinary working people. Workers, and in particular the new professional-managerial class of white collar workers are now able to acquire comfortable homes, fridges and stoves, microwave ovens, flat screen TVs and even packaged winter vacations somewhere warm and sunny.

But, the capitalist revolution did more than transform the living standards of ordinary working people. It also promoted the erosion of such traditional values as community and mutual self-help. These values didn't vanish entirely but gradually they came to be overlain by a culture of rational individualism. Over a period of several centuries, competition displaced co-operation; material acquisition became more important than collective struggle. Working people, aspiring to middle class status, began to cast their votes for the likes of Margaret Thatcher in Britain and Ronald Regan in the USA.

As the second half of Hirsch's book demonstrates, when societies make the great leap from starvation to sufficiency the scramble for wealth, power and status does not ameliorate. Instead, the competition for collective advancement transmogrifies into an increasingly fierce competition for individual advancement. In Thatcher's Britain, people proudly displayed buttons on which was written the word "Graspies" – an acronym for "greedy, amoral self-promoters". Personal self-aggrandizement becomes the ruling ideology of such societies. In the movie *Wall Street,* Gordon Gekko's mantra, "greed is good", was probably meant to be perceived ironically. Instead, it elicited widespread endorsement.

However, as virtually every Western nation is discovering to its cost, no society can long survive and flourish when everyone is on the make and everyone is on the take. Political economist Robert Heilbroner concisely sums up Hirsch's thesis in this way: "A market society in which all buyers and sellers, workers and managers, householders and corporations cheated, lied, stole, used violence or trickery would not work".[vi]

Arguably, most advanced capitalist societies have now reached that point or are perilously close to reaching it. The bill of indictment is depressing: "democratic" elections are won by the candidate who can attract the most money, politicians are bought and sold, police officers take bribes, universities have become handmaidens to powerful corporate interests, accountants validate the books of fraudulent companies (think: Nortel, Enron and WorldCom), doctors are little more than marketing agents for the pharmaceutical industry and lawyers are a joke, nations are bankrupt by fraudulent banks but the top banksters are nevertheless offered staggeringly large bonuses.

We are discovering, a little late in the day it must be admitted, the truth of Hirsh's thesis that capitalism only functions well when most people live according to pre-capitalist norms of honesty, restraint, trust, truthfulness and self-sacrifice. A world of rational gratification-maximizers is discovering that our individually rational choices can quickly add up to collective self-destruction.

The final word should go to the prophetic Irish poet William Butler Yeats.

> **Things fall apart; the centre cannot hold; Mere anarchy is loosed upon the world, the blood-dimmed tide is loosed, and everywhere The Ceremony of innocence is**

drowned. The best lack all conviction, while the worst are full of passionate intensity.[vii]

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[i] Donella H Meadows, Dennis L Meadows, Jorgen Randers, and William W Behrens III, *The Limits to Growth* (1973).
[ii] Donella H Meadows, Dennis L Meadows, Jorgen Randers and William W Behrens III, *Beyond The Limits* (1993).
[iii] Donella H Meadows, Jorgen Randers and Dennis Meadows, *Limits to Growth: The 30-Year Update* (2004).
[iv] Richard Layard, *Happiness: Lessons From a new Science*, Penguin Press, 2005.
[v] Thorsten Veblen, *The Theory of the Leisure Class,* 1899.
[vi] Robert L Heilbroner, "The false promise of growth", New York Review of Books, 3rd March, 1977
[vii] William Butler Yeats, "The Second Coming".