

Non-growth or social collapse?!

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Review of the book by Zoltán Pogátsa: Sustainable Economy or Social Collapse

The following quote is attributed to the renowned Israeli historian Yuval Noah Harari: “Questions you cannot answer are usually far better for you than answers you cannot question.”

On the back cover of Zoltán Pogátsa’s book published in 2023, the reader is confronted with nine burning questions that, even without reading the book, will/may make the reader think deeply.

“Our current socio-economic system is unsustainable, but what should a sustainable system look like? Is there still a way and time to get there, and if so, how? What kind of lifestyle and technology is needed, and who will finance all that? Who has the opportunity to act to achieve it and what are the required steps and by who? Why is climate crisis mainly an issue of redistribution? Is it the individual’s wasteful lifestyle or the faulty social structures that are to blame in the first place? Why is continuing growth an unrealistic alternative? What kind of global economic and political collapse is expected if we fail to change? What can we do about global overpopulation and the resulting wars and migration? This book seeks to answer these burning questions and many others.” – the back cover says.

The reader is not in an easy position to answer these questions, however it is certain that we cannot expect unquestionable answers. Nevertheless, Zoltán Pogátsa offers an alternative through his political answers to these questions and tries to draw the reader’s attention to the fact that in public consciousness, we can come across widespread, however false, illusory and often counterproductive approaches in theories and in the practice of economic policy. The indisputable merit of the book is that beyond its purely technical approach (that would be exhausted by the presentation of data and technologies) it is rather holistic as Zoltán Pogátsa takes into account historical, temporal and cultural determinations and contexts in the analysis of the sustainability problem, all in a global context.

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Global climate change is a truly multidisciplinary phenomenon, in which no single branch of science has exclusive competence and responsibility, however almost every branch of science is involved. Climate change is modelled by climate scientists; the technological side of human activities is performed by specialists in different fields of science (engineers, physicists, biologists, chemists, etc). The inequality aspects of the climate issue belong to the discipline of sociology, while the moral and ethical questions raised are dealt with by philosophy. State and international decisions fall within the competence of political science and international relations. The definition of the language and conceptual frameworks is the domain of communication specialists (for example, the terms 'environmental destruction' or 'climate change' are used). The main scope of the journal is the financing of the transition towards a sustainable economy performed by economists, therefore it is a financial-economic issue.

The starting point of the book is that global climate change is caused by the existing socio-economic system, and "the exploitation of nature is encoded in the functioning" of this system. And it is all despite the fact that it demonstrates this complexity of problems and its sub-phenomena (global warming, melting ice caps, material use, waste, species extinction and biosphere decline, food and water management problems, etc.) in a very comprehensive manner. Yet, this book is not a climate book in the classical sense, but rather an analysis of the economic and political order that has created global climate change and its political economy.

Warming projections are particular cause for concern. The warming trend is clear and noticeable: the data available since 1880 or so has indicated that the ten warmest years have occurred since 2010. The threshold that climate scientists consider as critical, above which irreversible processes are triggered, will soon be reached by humanity - at the end/beginning of the next this decade. However, this does not mean the simplified conclusion that a global apocalyptic event will occur or that "we will just fry", but, as the climate gradually changes, the likelihood of dramatic events will increase and regional processes will be enhanced.

In addition to climate change, Pogátsa draws attention to further human damage to the Earth's ecosystem, including the use of raw materials and resources, waste production, destruction of plant and animal species, and the reduction of their habitat. These processes are illustrated with data that are certainly depressing in human terms, but at least worrying, in the context of an extensive literature systematisation, most of which are mostly fascinating and stimulating works for critical approach.

These man-made damages are the results of a fossil fuel-based civilisation; the current economy is predominantly based on fossil fuels, which also constitutes its biggest problem. Green conversion is (would be) the answer to this recognition. However, as Pogátsa points out, unfortunately "the green transition is only taking place in the sense that we are developing better technologies to harness sustainable energy, but not in the sense that they are actually replacing the world's fossil fuels."

Pogátsa demonstrates the sectors of the fossil fuel economy that are most responsible for greenhouse gas emissions: food production, plastics production, steel production, cement production, conveyance of goods and transport.

In Pogátsa's book, the "barrier of consciousness" that characterises the majority of people living in the present critical moment is crucial to understanding the aforementioned processes and their dramatic impact. This is not meant in a pejorative sense, of course, but merely to state the essential fact that these people are not, or not sufficiently, aware that the generations living today are simply living in a fundamentally different economic order, both in qualitative and quantitative terms. So the past few decades (since 1980) are radically different from the history of the last few centuries of capitalism and industrial society. We may not be talking about a gradual (linear) growth during this period, but rather an explosive (exponential) process. For instance, this brutal growth is well illustrated by global population explosion. The population of Earth exceeded 8 billion people in November 2022; just then, the global population was only one tenth of that in 1750 and only half that in 1971, which is problematic not only in terms of quantitative but also in spatial distribution.

A similar "explosion" is experienced in terms of the measurement of GDP. We reached 1% of current global GDP in 1870, 10% in 1955 and 50% in 1999. So world GDP has doubled in the last two decades – in the lifetime of today's people of twenty-odd years.

One of the main arguments of the book is that non-growth is required to stop climate catastrophe. This means that economic growth must be stopped deliberately, or else there will be an uncontrollable collapse.

Pogátsa neither considers the exponential growth trends mentioned above to be sustainable. There is no practical example of infinite growth in the physical world. However, what we also experience in the living world and in man-made civilisation are so-called sigmoid trends, where growth starts out as exponential, but after a while the trend reverses, growth slows down and then it sets to horizontal without increasing any further.

Pogátsa stresses that it is precisely this constant, continuous growth imperative that distinguishes capitalism. Contrary to the common view that capitalism is defined by the market and private property, the real distinguishing character is the aforementioned need for continuous growth. The capitalist economic system is based on the logic of growth.

The modern economic system continues to work as long as people and economic agents believe that the economy is still growing. This faith rooted in growth has proven to be a self-fulfilling prophecy. If economic agents believe in growth that leads to higher output and consumption, lending makes sense. Once lending picks up speed, the resources become available to start / continue production. Having sold your goods produced, you can pay back your loans. However if this confidence in growth fails to exist, there is no point in lending. The same logic applies to the financing of public debt. The state finances its needs through bonds, on which it pays interest. Repaying the interest on the bonds can be problematic if the economic growth of the country slows down, which, in a given case, may lead to a debt trap of the government. Moreover, governments, capital markets, companies and the public are all involved in financing public debt. The same logic applies to a business, whether it finances itself through debt or capital markets. In the former case, it has to pay

interest financed by economic growth, and in the latter case, the share price has to be increased, which is also substantially provided by growth.

Another misleading approach is a further interesting element of the book, namely the presentation of GDP-obsession. The gross domestic product index was developed by Simon Kuznets during the Great Depression. This was an appropriate tool for measuring the impact of the intensification of demand introduced as a result of the crisis, however the inventor of the idea also warned that this index does not measure living standards or well-being, and therefore should not be used as an indicator of the quality of life. Yet it is still used in the wider society (by politicians, economists, journalists) to this day. The measures taken during the era of the welfare state, which raised the quality of life in a wide range of society, played a major role in spreading this misleading social belief. In other words, the rise in GDP and the increase in individual well-being became linked in the people's mind. However, Pogátsa points out that this linkage was no longer true in the era of neoliberalism. Not only has not everyone (not the broad social strata) benefited from the growth, but on the contrary, the top 1% of the society could pocket the bulk of the increase.

Pogátsa draws attention to the widespread and simplified idea that personal prosperity requires economic growth. However, it is in the interest of the top 1% benefiting from the bulk of growth to maintain this social belief, as distributional issues will not be widely or at all raised or addressed until then.

Pogátsa answers 'no' to the question whether a form of society based on economic growth is feasible. The book also considers the circular economy model, the main tenet of the European Union's sustainability policy, to be illusory. An important finding of the book is that the trends experienced in the former areas may not continue as the economy cannot multiply globally, i.e. there is no such thing as "sustainable growth".

It is important to stress that there is still growth in the non-growing economy, however only in certain sub-areas rather than in every area. This model is well illustrated by the forest example. The total area of the forest does not change, however both growth and decline can be observed within its boundary based on its own internal dynamics. It is also important to stress that, according to the book, non-growth is an internally dynamic, changing and even developing system, and innovation, technological development also exists in such an economy with some industries, products and services coming to the fore, while others may be relegated to the background.

The book argues for global non-growth, however this approach also raises serious distributional issues, which can be summarised very succinctly by a relevant thought by Thomas Piketty: "Decarbonisation requires redistribution".

The responsibility for climate change is dramatically unequally distributed all over the world as the richest 10% of the world's population is responsible for nearly half, and the top 20% for 2/3 of carbon emissions. At the same time material use, waste production and other damages are also significantly higher in higher income societies/countries.

The book describes the technologies and social reorganization principles that can be used to build a sustainable economy, and Chapter 6 is a description of the sustainable society from a technological-social perspective. The chapter details the sources

and storage of the energy to be produced and the issues of transportation, housing and urbanisation as well as the transformation of agriculture. Pogátsa also mentions the illusion of techno-optimism: the widespread belief that humanity will find a solution to climate change thanks to human creativity, capitalism or innovation.

The technologies and social reorganisation principles that characterise a sustainable society are well known. From an economic point of view, however, the essential question is who should finance the transition to this sustainable society and from what resource. Pogátsa refers to a 1942 BBC radio speech by John Maynard Keynes: “Anything we can actually do, we can afford”.

This approach has also been adopted by decision makers when events threaten the global social order. Just think of the vaccination/protection programmes against the virus in the context of Covid-19, or the funding of wars of great importance. So in certain borderline situations, there have been examples, even in the recent past, where, in response to a threat of the system, the question is not primarily the issue and technique of financing, but whether they really do what needs to be done. Taking the trends into account, Pogátsa considers the management of climate change as a similar event as well, for which a bold and not necessarily conventional political and economic/financial approach is required so that we can take the step necessary to avoid an apocalypse. More specifically, funding should not be the main constraint at least.

Modern Monetary Theory (MMT) is linked to this approach based on which the state will be able to finance green transition. MMT belongs to the post-Keynesian school of economics, which is radically opposed to the mainstream neoclassical view. According to the basic approaches of the neoclassical school, in a very simplified way, the real economy is not affected by the quantity of money, but rather the increased quantity of money is reflected in prices (causing inflation). In MMT’s approach, the state is always solvent in its own currency and therefore always capable of generating sufficient financial means. Pogátsa stresses that this approach should not mean excessive creation of money, but on the contrary, it should be about generating the resources required for the financing of targeted and reasonable programmes. The former does indeed cause inflation, but the latter can have an overall positive impact.

Without targeted action and social & economic restructuring, the climate will collapse; warming is expected to exceed the 1.5°C tipping point of the Paris Climate Agreement by 2030, from which point uncontrollable collapses will become dominant. Wealthy countries are reacting to the challenges via climate adaptation, however this will make matters worse, as mass disasters will be more pronounced in overpopulated and poorer countries. However, due to the structure of the world economy, there is an interdependence and mutualism among these countries, which, on one hand, exacerbates the arising problems (migration and its social consequences in particular) but it can also encourage globally coordinated actions.

In conclusion, let us quote Zoltán Pogátsa, with a sentence from each of the last two paragraphs of the book: “Mankind will have to familiarise itself with the idea of non-growth. And since capitalism is an economic system based upon inherent growth, its history of a few hundred years is coming to an end.” ■