

# The Book of Abstracts

## ***Economic Growth and Its Enemies?***

### CALL FOR ABSTRACTS

Economic growth is generally seen as most important indicator of economic performance in economics. The recent post-growth movement has challenged this mainstream focus on growth, drawing on ecological, complexity, evolutionary and other perspectives on the relation between the economy and the environment. Much like the debates on strong vs. weak sustainability and valuation of ecosystem services, the debate concerning economic growth has not (yet) brought about a synthesis. Dialogue between the two camps, on theoretical, methodological and empirical issues, is virtually nonexistent. However, rhetorical accusations, such as the argument that other camp lacks empiricism and realism or commits elementary arithmetic or logical errors, are abundant. How should we interpret the current state of affairs? Is a Kuhnian revolution is imminent, or did we actually get stuck with little hope of progress?

This two-day conference aims at contributing to ‘the economy vs. the environment’ debates by asking the following questions. (a) What explains the divergence or disengagement among scientific positions on economic growth? (b) How should they be reconciled or otherwise managed to provide actionable policy recommendations for sustainability?

The conference provides a venue for scholars from different schools of economics, mainstream or otherwise, to present their methodological approaches and reflect on them with scholars from different traditions. This cross disciplinary discussion should serve as a steppingstone towards a more inclusive and integrated theory of economic growth or its alternatives. The aim is to produce a clearer picture of the current research landscape around the topic, and to instigate the process of identifying and, ultimately, bridging the gaps between the different methodological schools and approaches.

### **Session 1: Alternatives to growth (1<sup>st</sup> Jun)**

**Is a vicious green economy better than a vicious fossil economy?**

Rubén Vezzoni

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This paper critically examines the concept of a green economy and the potential trade-offs that may arise in necessary transition from a fossil-based economy. On the one hand, the exploitation of non-renewable resources, including the atmosphere, characterising the fossil economy has led to significant environmental degradation. This type of economy is unsustainable and poses significant risks to human health, ecosystems, and the planet as a whole. On the other hand, the mainstream version of the green economy proposes to decouple environmental destruction from economic growth. However, by relying on the same accumulation regime as the

fossil-based economy, this approach carries its own material implications, including a potential increase in extraction rates, global energy demand, and the appropriation of space necessary for low-carbon infrastructures. Paradoxically, in some environmental domains besides climate change, a 'vicious' green economy may have more adverse effects than a fossil-based economy. Therefore, is a vicious green economy better than a vicious fossil economy?

The problem may lay in the focus of the question. For both the green and the fossil economy fail to question the prevalent accumulation regime, thus avoiding reflections on economic growth, its contested determinants and, above all, its socio-ecological impacts. The key problem with both economic paradigms is their failure to question the need for continual, non-qualified, material economic growth. To address this paradox, this paper advances a substantivist approach to economics, which prioritizes the provisioning of services (use value) over the rational allocation of scarce resources (exchange value). This approach draws on Marxian political economy, Regulation Theory, Polanyian "Great Transformations", and ecological (macro)economics literature, and offers a promising research avenue to qualify the composition of economic output, economic growth, and its overall desirability. By focusing on systems of provisioning and their relationship with material flows-stocks, human well-being and environmental stewardship can be better prioritized over economic growth for its own sake.

### [A green new deal without growth? Stranded assets and the credit constraint in a degrowth regime: a post Keynesian Stock Flow Consistent model](#)

Pierre Funalot

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An ambitious ecological transition has to be inserted in a degrowth paradigm. The size of the economy must therefore shrink to respect the planetary limits imposed on human activity. This decrease can be chosen, within the framework of a large-scale planning, or undergone, i.e. caused by significant environmental destruction. This paper proposes to study the second configuration, as well as the levers of action to limit the harmful consequences for the economies and the existence of humanity. In fact, here, degrowth is induced by the existence of stranded assets, i.e. assets that will lose their monetary value following environmental destruction or the depletion of fossil resources.

The disappearance of this capital stock leads to an extremely large increase in the leverage of firms, defined as the ratio of loans to capital. This is where the credit constraint comes into play. Its theoretical basis can be found in the seminal work of Edwin Le Héron (1984, 1986, Wray 1990), who generalized the concept of Keynes' liquidity preference to banks. The concept is simple. For a bank, granting a credit to a firm or a consumer amounts to deciding whether or not it should become less liquid (Le Héron 2020). In order to make this decision, it relies on the notion of the lender's risk : the higher the leverage of the borrower, the higher the interest rate, and the lower the amount of credit granted. In our model, the aforementioned increase in the leverage of firms subsequent to the rise of stranded assets increases the lender's risk very significantly, and finally, leads the economy to a sudden stop situation. With private investment frozen, it is up to the state to invest in order to direct the economy towards the reasoned accumulation of green capital rather than brown capital.

Following Godley and Lavoie (2001, 2002, 2007), we mobilize the Post-Keynesian Stock-Flow Consistent (PK-SFC) modelling approach to represent the dynamics induced by such a movement. It is particularly well-equipped to deal with our research question, as it is based on a

precise accounting of stocks and flows, and therefore allows for a better understanding of the mechanisms induced by the existence of stranded assets. Especially, the interlinkages between environmental variables (the greenhouse gas emissions), financial variables (the leverage, the interest...) and real variables (capital stocks, investment) provide us with helpful insights considering the sustainability of investment trajectories. Note that the use of the PK-SFC methodology in degrowth economics is relatively new (Monserand 2022). With this paper, we aim at contributing to this rising body of literature.

### Hidden Ideas of Progress: Normative disagreements between green growth, degrowth, and agrowth

Lieven Hoffman

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Why do green growth and degrowth proponents formulate such opposing recommendations although they should, in principle, draw from the same body of scientific evidence? My hypothesis is that a big chunk of disagreement is rooted in differing understandings and prioritisations of values like freedom and equality. Moreover, these two camps disagree on the role of states in providing a good life for all. The goal of this interactive workshop is to uncover these and other normative commitments green growth and degrowth scholars rely upon. With careful recurrence to our own experiences and the literature, we jointly assemble a set of normative disagreements. Based on that, we finally explore whether agrowth successfully withholds judgement while offering a way out of this value-laden debate – and if that is even desirable. No prior knowledge in philosophy is required to join this session.

### Beyond Growth and Degrowth: Eugrowth

Osvaldo Feinstein

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After several decades of discussions about theories of economic growth, during which it was taken for granted that the higher the growth rate the better for society, a critical approach emerged pointing out the limits to growth and the downside of growth. The critique became a kind of alternative paradigm: degrowth. Both approaches are unidimensional, focusing on the rate of growth. The scope of possibilities to be considered can be enlarged by considering a second dimension: the direction of growth. This presentation will take into account the work on “development styles” done in Latin America with numerical experimentation models as well as the more recent literature on the quality of growth, linking it with “green growth” and the energy transition. It will be shown that growth can be compatible with environmentally friendly and equality promoting policies, requiring to focus on the direction of technical change. This would be “good growth” or “eugrowth”, which requires framing government policies not in terms of more or less government intervention but on appropriate interventions.

## Session 2: Political economy of growth

### The Difference Principle and State-led Growth

Lukas Fuchs

*Eindhoven University of Technology*

In the past two decades, political philosophers have debated whether economic growth is a suitable strategy to achieve social justice and in particular the Difference Principle (DP). Rawls's DP states that "[s]ocial and economic inequalities are to [...] be to the greatest benefit of the least-advantaged members of society" (Rawls 2001: 42-43). According to Rawls, the DP is one of the principles of justice adopted in the original position that help choose between different economic and social institutions for the basic structure. The vast literature on the DP has mostly operated under the assumption that the institutional arrangements that are legitimated by this principle are taxation and redistribution. However, recently theorists have argued that the pursuit of long-run economic growth - as opposed to redistribution - is the most promising strategy to maximise the long-term prospects of the least well-off. Brennan (2007) and Tomasi (2012) both claim that long-term growth, provided it is distributed equally, would ensure that the life prospects of the least advantaged in society are better than those in a similar society with a stagnant economy.

The stakes in this debate are high. For liberal egalitarians (such as Rawls), the DP has been the most powerful weapon against opponents of public interference in economic affairs. If the "Right-wing Rawlsian critique" by Brennan and Tomasi (2012) is right and the most effective way to aim at the difference principle is via growth, redistribution (or predistribution) may require a different theoretical justification. What's more, Brennan and Tomasi combine these normative arguments with the empirical claim that the best way to pursue high growth rates is to allow a laissez-faire market-centric economic regime, with low levels of taxation and without policy instruments to ensure widespread distribution of property.

This paper is a reply to this recent critique by Brennan and Tomasi. I will argue that given their own normative commitments - they should prefer state-led growth, with strong inclusion of political and social institutions, as opposed to market-led growth. Section 2 reviews the current dialectical situation in the debate between Brennan, Tomasi and their critics. Section 3 argues that innovation-led growth is the kind of growth that is attractive to the least well-off in society. Section 4 maintains that state-led economic development is more likely to produce this kind of growth, citing recent literature in political economy. Section 5 concludes.

### Happiness vs. Growth in Behavioral Economics

Alex Upravitelev

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Theory of economic growth is one of the main topics in post-war mainstream economics. The huge impact in this field of economic knowledge was made by Robert Solow. Before that, conventional wisdom identified capital accumulation as the prime mover of growth (Weitzman, 1996).

Behavioral economics is one of the biggest research programs in economic science. Despite that, it has very little in common with growth theory. Thus, in a very detailed book "The Foundations of Behavioral Economic Analysis" by S. Dhami (2016) growth is not mentioned even

in the subject index. In a historical study of H. Heukelom “Behavioral Economics: a History” (2014) growth is mentioned only in a sense of growth of the field of research.

According to the analysis I propose, absence of growth in behavioral economics can be explained by fundamentally different model of human that need different methods of calculation. Neoclassical growth theory is based on the assumption that the aim of economic behavior of a human is to maximize utility. The maximization of utility function is very important for neoclassical theory, it associated with calculation of the second derivative. Behavioral idea of economic behavior proposed by H. Simon in his concept of bounded rationality is based on the assumption that behavior is consistent with either optimizing or satisficing procedures (Simon, 1978) Such uncertainty makes the calculation of utility function maximization irrelevant.

The alternative concept used by behavioral economics instead of neoclassical growth is happiness. It helps to use experienced utility as an individual’s welfare. The sources that make societies happy are still unclear, but the analysis of C. Kenny (2007) finds no support for a causal link from growth to happiness, weak support for a reverse causation. As beliefs about conditions for happiness are very culture-specific, it opens a vast perspective for future research (Veenhoven, 2012).

## A Politically Liberal Conception of Economic Growth

Justin P. Holt

A politically liberal conception of justice provides a unique vantage point to consider the normative desirability of economic growth. This is the case for two reasons. First, it is attentive to the modern social fact of reasonable pluralism. That is, the beliefs of our comprehensive doctrines are irreconcilable. Second, in the modern democratic age economic growth must be acceptable to free and equal citizens. That is, a conception of economic growth must be in terms that citizens can accept as part of a public conception of justice. In this paper, a politically liberal conception of economic growth will be developed that determines when economic growth is acceptable to free and equal citizens. After this is done, the unique duties that are present in a stationary state will be analyzed. Next, what constitutes just economic growth and a politically liberal limit to growth are elaborated.

## Session 3: Economic performance in practice (2<sup>nd</sup> Jun)

### Salvation by substitution? Case textile markets

Elias Hurmekoski

*University of Helsinki, Department of Forest Sciences, Helsinki Institute of Sustainability Science*

Wood-based products have, on average, a lower fossil GHG footprint compared to products made of alternative materials. Thus, substituting a wood product for a non-wood product avoids greater fossil emissions. This is referred to as substitution impact.

The estimation of substitution impacts relies on a host of assumptions. Some of the most important yet uncertain ones are, which non-wood products do the wood-based products substitute for, and to what extent. Literature recognizes no systematic approach for identifying substitute products and invariably assumes substitution to occur at a rate of 1:1. This study introduces a systematic framework for identifying the existence and rate of substitution based on microeconomic theory and econometric analysis.

The study focuses on the staple fiber market, given its relative simplicity and major environmental footprint. Regenerated cellulosic fibers (RCFs), namely viscose and modal, were hypothesized to be substitutes for cotton and polyester.

Four datasets and two theoretical models were applied for a set of empirical model formulations. The datasets included both consumption and import data and both time series and panel data. The first theoretical model is a conventional demand equation quantifying cross-price elasticities and the second is an ad hoc formulation quantifying the response of the consumption of RCFs to the consumption of alternative textile fibers. The empirical models used OLS, VECM, and ARDL estimators. The variables and models were tested for non-stationarity, cointegration, autocorrelation, multicollinearity, normality and heteroskedasticity and appropriate empirical models were chosen accordingly. The OLS models were run in difference form to correct for non-stationarity.

The preliminary results point to RCFs being imperfect substitutes for cotton, and independent from the demand for polyester. This empirical result lowers the substitution impact estimates of RCFs considerably compared to assuming RCFs to replace cotton and polyester 1:1, because part of an increase in RCFs supply replaces no alternative product, but merely increases overall textile supply. Based on the results, material neutral policies focused on limiting overall emissions should be more effective compared to subsidizing single sectors. Further, the result points to the difficulty of decoupling the environmental footprint of the textile sector from the growing consumption, without additional efforts on suppressing overconsumption and increasing recycling.

### Pushing the right buttons: The role of risk profiles for organizational responsiveness to sustainability pressures

Jean-Pierre Imbrogiano

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The literature has long maintained that risks are an essential driver for businesses' sustainability performance. Yet, recent contributions highlight limitations in understanding how sustainability performance occurs in businesses, which also poses the question about how organizational responsiveness to risks exactly unfolds towards these ends. Here, I present evidence from an exploratory phenomenographic study encompassing 21 organizations operating as part of the international value chain 'from mine to car'. I find that distinct risk profiles are fundamental in organizational responsiveness to sustainability pressures. Specifically, the phenomenographic results comprise five different risk profiles that are driven by fitting conceptions of sustainability performance, framings of sustainability performance, management structures for sustainability performance, and solution finding for sustainability issues. I discuss these results in light of organizational responsiveness models, the need to improve governance for sustainability transitions, and what these results suggest for degrowth ambitions.

### Changing frames of economic growth and climate change in the Finnish media

Erkki Mervaala

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Economic growth and climate change, especially climate change mitigation, are often framed as opposing forces in the media. Despite recent review studies declaring the improbability of economic growth and greenhouse gas emissions and overuse of natural resources, in the media, climate policy is still framed as subservient to economic policy – of which the main goal is to pursue and maintain economic growth. This juxtaposition is still prevalent in the Finnish media, and is present even in the voting advice applications of the 2023 election season. Such complex and multifaceted issues require a nuanced understanding of the way they are framed in the media. Applying frame theory to analyze a vast dataset of news on both topics allows for understanding how the media constructs and communicates these issues.

#### Data and methodology

This paper addresses the changes in covering climate change and economic growth in Finnish mainstream media over a 21-year period from 2000 to 2020, covering events and time periods significant for both topics in question including economic crises, climate agreements and pivotal reports and phenomena. The data contains over 30000 articles on economic growth and climate change from Helsingin Sanomat, the largest newspaper in Finland, and the tabloid and largest digital media in Finland, Ilta-Sanomat. The analysis provides understanding not only to changes in frequencies of articles published on the two topics and their relation to each other but also the subtopics and their evolution throughout the 21 years unveiled via Dynamic Topic Modeling (DTM) - a Natural Language Processing method based on unsupervised machine learning. These changes provide an insight to how economic growth and climate change have been framed in the media over time.

#### The results

Despite economic growth coverage being more numerous compared to climate change for most of the 2000s, this relationship flips after the publication of the 2018 International Panel on Climate Change (IPCC) report. In the DTM analysis, climate change is among the top 10 subtopics in the economic growth dataset and vice versa. Additionally, the analysis of the corpora unveiled some surprising subtopics.

## Conclusion

The application of frame theory to DTM provides a powerful tool for understanding the way climate change and economics are framed in the media. Overall, the study's findings will provide a better understanding of the complex relationship between climate change and the economy.

## Growth dependency as an agreeable and actionable description

Henri Wiman and Riina Bhatia

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Technical Research Centre of Finland (VTT)*

There have been prominent calls for research on growth dependency (e.g. Hickel et al. 2022), meaning “conditions that require the continuation of economic growth in order to avoid significant psychological, social, and economic harms” (Walker et al. 2021, p. 5). In this presentation, we give an overview of growth dependency literature. Our hypothesis is that this type of research has two advantages: compatibility with mainstream policy discourse and high potential for prescribing action. As part of the presentation, we also give an overview of growth dependencies argued in the literature.

At least on the surface, growth dependency research is not about whether growth is good or bad. Instead, it seeks to protect mainstream policy priorities (social cohesion, health, employment...) against risks. This could open the conversation also to economists and public policy experts from outside the de-/post-growth discourse who already consider low-growth scenarios interesting and relevant (e.g. Gordon 2012). On the other hand, it may be that a term stemming from the post-growth community is inherently (seen as) non-neutral. After all, a central motivation for advocating research on growth dependency has been to legitimize post-growth futures. It does this by accepting the objection that societies “need” growth but treating this condition as specific to certain institutions that are possible to change.

When growth dependency research identifies institutions as problematic, the results can be expected to be more precise than general critiques of “economic systems”. The process of describing what a system is, how it works, and why, generates suggestions for what types of changes are even on the table and which ones could be expected to undo growth dependency. This type of information is more actionable than the ostensibly correct but vague description that the economic system “overall” is based on / drives / requires growth, which is a common statement also from growth-critical experts. Without quite clear explanations of how bad social outcomes can be avoided without growth, it is difficult to see how post-growth policy prescriptions can be on an equal footing with pro-growth prescriptions.



## Session 4 (panel discussion): The 4-Day Workweek: A Win-Win Solution for the Economy and Society?

Opening talk:

Timo Anttila: “Reduced working time: Experiences from Finland”

Panelists:

- Timo Anttila (*Jyväskylä University*)
- Aaro Hazak (*Tallinn University of Technology*)
- Kati Karhula (*Finnish Institute of Occupational Health*)
- Iana Nesterova (*Aalto University*)

Chair: Michiru Nagatsu (*University of Helsinki*)

Some of the questions that will be explored in this panel discussion include:

- How would a four-day workweek affect productivity, creativity, innovation and well-being?
- Will a four-day workweek improve or worsen physical and mental health, work-life balance, and well-being of workers?
- What are the main economic benefits and costs of working a four-day workweek for businesses and workers?
- What are the potential challenges or opportunities of implementing a four-day workweek?
- Can a four-day workweek really contribute to reducing carbon emissions and environmental impact?
- What kinds of experiments there have been about reduced working time in Finland?