



## Growth: The Rediscovered Formula for Success

Ever since the Club of Rome report on the “Limits to Growth” forty years ago sparked a global debate on how to achieve “wealth without growth,” pundits have warned not to get caught in the “growth trap” and called for replacing the “blind ideology of growth” with “post-growth” or “alternative growth.”

While in the 1970s social indicators were hailed as an end to the obsession with GDP, today’s debates have shifted towards measuring a society’s success in terms of happiness, life satisfaction and well-being. NGOs like Attac sum it up this way: “Creating a future economy without growth is the task of the century.”

In the face of severe and persistent economic crises, this kind of debate seems adrift from reality. Despite sleek new research programs and smart scholarly analyses, a sustainable formula for reshaping the world’s societies and economies is yet to be found.

Instead, weak growth, record unemployment and growing public debt in the majority of developed countries have put the search for a “new” growth strategy once again at the top of the global agenda. Are we about to witness another paradigm shift?

In any case, it is a good sign that growth has reappeared as a guiding theme in economic policy debates. Without growth, the western industrial nations would lose wealth, emerging economies would fall behind again, economic disparities would continue to exist, full employment would become an illusion, social tensions and distributional conflicts would spread around the world, and the key challenges for the global community would go untackled.

Any serious debate on growth has to revolve around the creation of jobs. The European Union aims at raising the employment rate among the 20 to 64-year-olds to 75 percent by 2020, which would require 18 million new jobs.

But just going back to the old recipes won’t do the trick. As a crisis response mechanism, automatic stabilizers must replace flash-in-the-pan government spending programs, which have failed in two respects: Public budgets have dried up while at the same time unemployment has skyrocketed. The recent proposals to fight the current debt crisis with more debt would only put us in a deeper hole.

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The creation of sustainable jobs requires structural reforms that boost competitiveness – no matter how painful and unpopular they might be. Flexible labor markets lead to more growth. Particularly in the service sector, the growth potential is still unlimited given the ever-rising demand for information, education, security, health, leisure, care and other services in all areas of life. But new growth also requires strengthening manufacturing instead of deindustrialization, as well as enhanced efforts in education, research and innovation.

Rather than invoking the “limits to growth,” what we should refocus on is how to realize the benefits from growth.



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Graphics/Photographs: IZA  
Printing: Güll GmbH, Lindau  
Layout: IZA