

## Decoupling economic growth from environmental impact and resource use?

### Limits to economic growth

The seminal [report](#), “The Limits to Growth” published in 1972, although much criticised then and since, concluded that on a finite planet exponential economic growth cannot continue indefinitely. Its long term doomsday projections (it emphasised that they were not supposed to be predictions) have so far proved to be worryingly close to actuality. To the five factors the authors considered (population increase, agricultural production, resource depletion, industrial output and pollution) can now be added climate change, the loss of ecosystem services and new devastating forms of pollution such as plastic waste.

As an example of the planetary deterioration, a recent UN [report](#) on biodiversity concluded that, “The health of ecosystems on which we and all other species depend is deteriorating more rapidly than ever. We are eroding the very foundations of our economies, livelihoods, food security, health and quality of life worldwide.”

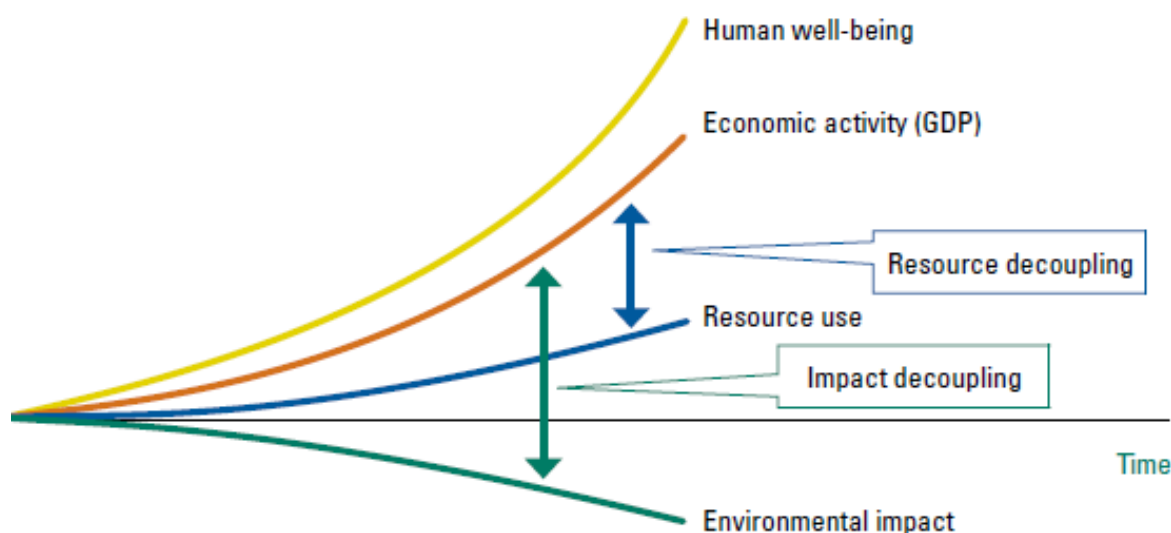
Hence the question, can economic growth continue but with at least a lesser environment and resource impact?

### Decoupling economic growth

In 2011, the International Resource Panel (“IRP”, hosted by the United Nations Environmental Programme) published a major [report](#) on decoupling. Its proposals to reduce the environmental impact of economic growth included (unsurprisingly):

- more efficient use of resources
- more recycling
- reducing waste
- helping the developing world achieve more sustainable growth.

In other words, “do more with less” as conceptually illustrated by the following diagram taken from the report:



A key aspect of this is the “circular economy”<sup>1</sup>, recognised in China as long ago as 2006. More recently, the European Union adopted a circular economy action plan in 2015 as a way of helping decouple growth from its environmental effects. A 2019 report on implementation is available [here](#).

<sup>1</sup> The [Ellen Macarthur Foundation](#), a major NGO focussed on promoting the circular economy, defines it on the basis of three principles: designing out waste and pollution, keeping products and materials in use, and regenerating natural systems.

## Decoupling not enough?

How much successful decoupling has actually taken place depends on how and what is measured in terms of material use. Critics argue that there has been little evidence of decoupling, and that ‘green growth’ will not be possible on a global scale into the future.<sup>2</sup>

Returning to the 2011 IRP report, it also concluded that “doing more with less” was not enough – and that consumer expenditure growth in the developed world must also be restrained. This is of course a highly contentious proposal in a democratic market economy. It is not directly related to decoupling as such, but a measure to reduce an element of economic growth and hence the pressure on resources.

It is part of an increasing questioning of the “consumer society” - what is the point of accumulating more stuff? These ideas led to an examination of the purpose of economic growth as represented by GDP, perhaps also inspired by Bobbie Kennedy in a famous 1968 [speech](#), powerfully and movingly questioning the validity of GDP as a measure of progress.

## Looking beyond GDP

In 2007, the European Commission, European Parliament, Club of Rome, OECD and WWF hosted a “Beyond GDP” conference to clarify which indices are most appropriate to measure progress. This initiative continues today (see [here](#)).

In the UK, the ONS has undertaken extensive work to explore alternatives to GDP including happiness surveys and “well-being” [analysis](#) but the conclusions do not yet appear to play a prominent part in political discourse or objectives (despite carrying out this work at the Government’s request).

In the academic field, Professor Tim Jackson’s 2009 influential [report](#) “Prosperity without growth?” (now updated) led to the establishment of the Centre for the Understanding of Sustainable Prosperity “[CUSP](#)” in the UK. One of its objectives is to redefine prosperity in terms of well-being.

It is easy to question the relevance of such initiatives when, even in some of the richest developed countries, there are substantial areas of deprivation. Some politicians would insist this requires more growth whilst others would press for more redistribution of resources. In the developing world, growth is needed to enable more of their populations to be taken out of extreme poverty. The challenge is to try to ensure this uses resources most efficiently, with climate impacts and waste minimised.

## Business implications

Responsible business may be looking to “maximise shareholder wealth” sustainably, but, left to market forces, it is difficult to see how that would necessarily result in the required resource efficiency, recycling and waste reduction. But governments have made some progress in setting the rules and incentives for the market in terms of, for example, resource management, environmental protection, packaging, recycling and waste management, with the objective of achieving a level playing field in which business can compete on a sustainable basis. Of course, if such policies are not adopted internationally, the objectives can be undermined and trade disputes are likely to arise.

Is decoupling feasible? Absolute decoupling – economic growth without increased environmental and resource use – is clearly just a theoretical concept in the foreseeable future. However, the decoupling issue is driving actions across many fronts, which may also eventually redefine what it means to be “prosperous”, beyond a narrow focus on material wealth.

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<sup>2</sup> [Is Green Growth Possible?](#)