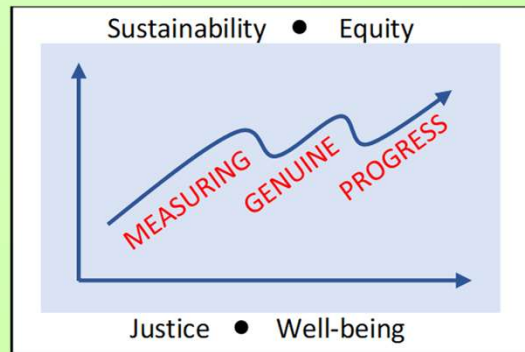


**Growth is always a choice and never  
an imperative**

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**Measuring Genuine Progress**



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# Introduction

- **Growth in GDP is desirable, but only up to a point.**
- ***Continued* growth in GDP is undesirable, for two reasons:**
  - **1. Continued growth in GDP is ecologically unsustainable**
  - **2. Growth in GDP beyond the economy's optimal scale – which is a scale where economic welfare is maximised, and is always smaller than the economy's maximum sustainable scale – is undesirable because it increases costs more than it increases benefits (i.e., it reduces economic welfare)**
- **It is believed by many that growth beyond the economy's maximum sustainable scale, not just growth beyond its optimal scale, is due to growth imperatives inherent in a so-called 'capitalist' system.**
- **I disagree, although the current system, which is simply a modern form of institutionalised chrematistics (Neoliberalism 2.0), needs to be radically changed (i.e., based on oikonomic principles) for the system to operate as a steady-state economy (SSE) at its optimal scale.**
- **I will go through six main factors identified as growth 'imperatives' and show that none of these are imperatives, but are forces that arise because of the choices we make as a society.**
- **If continued growth is an imperative, it's only because of the prior choices we make, but need not make, and should not make.**

# Oikonomia and chrematistics

- ***Oikonomia* involves the sustainable, equitable, and efficient management of the human household (socio-economy) within Nature's household (ecosphere) for the benefit of society as a whole, of every member in it, and of future generations.**
  - **Societies based around oikonomic principles ensure the following:**
    - **1. Ecological sustainability – they ensure the rate of throughput (inputs of resources and outputs of waste) remains within the ecosphere's regenerative and waste assimilative capacities**
    - **2. Distributional equity – they ensure every member of society is valued and recognised and thus receives the minimum requirements to live a decent and meaningful life in an inclusive social setting; they also place limits on any disparities in what members receive from society's spoils**
    - **3. Allocative efficiency – they ensure the resources they extract from the ecosphere are used to generate the greatest use value (benefits) at least effort (costs)**
  - **Oikonomic societies are successful at meeting every member's full range of human needs (Maslow, 1956) – Note: People will say they have 'wants' not just 'needs', but wants, once you have everything required to live a decent and meaningful life, are really 'perceived' needs and in many cases are 'manufactured' needs (i.e., needs you think you have when you don't, or false needs because your full needs haven't been satisfied)**

# Oikonomia and chrematistics

- ***Chrematistics* involves the use and manipulation of resources/assets for the benefit of individuals irrespective of whether it is in society's best interests and the interests of future generations.**
  - **Societies based around chrematistic principles:**
    - **have little or no genuine concern for future generations (at some point, they invariably operate unsustainably)**
    - **may redistribute some of society's spoils, but never to an extent that could be considered 'equitable'**
    - **value individuals in terms of their possession of power and wealth, which rarely reflects one's contribution to the creation of real wealth**
    - **allocate resources to maximise individual claims on real wealth (maximise exchange value) rather than generate the greatest use value (benefits) at least effort (costs)**
    - **are inherently unstable since chrematistic systems, by failing to ensure ecological sustainability and distributional equity, sow the seeds of their own inevitable destruction**
- **Societies are organised through and around social institutions – thus, all human-created systems are institutionalised systems**
  - **A system based on oikonomic principles is an example of institutionalised oikonomics; a system based on chrematistic principles is an example of institutionalised chrematistics – our current system is based on the latter**

# On chrematistics

- **Chrematistics is an economic rent-yielding system**
  - **Seigniorage/economic rent equals the difference between the exchange value of the real stuff that one receives by engaging in a particular activity and the exchange value of the real stuff that one forgoes by engaging in the same activity (i.e., the opportunity cost)**
    - **If I forego \$100 of real stuff to obtain \$150 of real stuff, my opportunity cost = \$100; my economic rent = \$50 (i.e., \$150 – \$100)**
    - **At the same time, some people must be foregoing \$150 of real stuff and only receiving \$100 of real stuff – economic rents involve *unearned* financial claims on real wealth at other people's expense**
  - **Economic rent is seigniorage enjoyed by a currency-user – the *summum bonum* of institutionalised chrematistics**
  - **Seigniorage should be the sole privilege of a currency-issuer – all economic rents enjoyed by currency-users should be confiscated (taxed)**
  - **A currency-issuing central government (CICG) enjoys 100% seigniorage**
    - **To obtain \$100 of real stuff, a CICG creates \$100 from nothing and purchases \$100 of real stuff (it owes nothing – it has zero debts)**
    - **The CICG surrenders \$0 of real stuff to obtain \$100; the CICG receives \$100 of real stuff upon spending the \$100**
    - **Society surrenders \$100 of real stuff to the CICG – it is either taxed to liberate real stuff or it is not spending \$100 on real stuff (saving)**

# On chrematistics

- **Chrematistics is an economic rent-yielding system**
  - **Society gives a CIG its 'seigniorage' privilege on the understanding that the CIG will eventually return (gift) the real stuff in the form of public goods (e.g., the schools and hospitals that the CIG obtains by using the labour and human-made capital it acquires to transform the natural resources it acquires, which the CIG eventually returns to us for our use/benefit)**
  - **Society gladly foregoes private goods (when it is taxed or when it saves) to enjoy the public goods (PGs) that the private sector does not supply in desired quantities – what we surrender we eventually receive as PGs**
  - **This is an oikonomic aspect of the current system – it is, in part, a concession made by ruling psychopaths to appease the masses sufficiently to maintain stability of the system that affords the psychopaths their power and wealth**
  - **It is also a product of a very different past concession made by ruling psychopaths to appease the emerging bourgeoisie during the early stages of the Industrial Revolution – namely, a parliamentary system of government (and universal suffrage – a later concession) that allowed the masses to obtain sufficient power (peaking in the immediate post-WW2 period) to have the CIG obtain lots of real stuff on its behalf and gift it in the form of society-benefiting PGs**
  - **Neoliberalism 2.0 (beginning in the 1970s) has diluted the oikonomic features of the system**

# **‘Capitalism’ is just a modern form of institutionalised chrematistics**

- **A change in our pre-analytic vision of the economy – from a false one to one that better reflects the world we live and operate in – requires appropriate framing and terminology.**
- **The term ‘capitalism’ to describe our current system is a bad one.**
  - **All systems are ‘capitalist’ in that all systems rely on capital, including hunter-gatherer (H-G) societies**
  - **Successful societies live ‘off’ capital and live ‘on’ income – that is, they confine consumption to the income generated by capital and keep capital intact (and improve upon the stock, if possible, to increase well-being)**
  - **Natural capital is the most fundamental form of capital because it is the only source of low-entropy matter-energy (natural resources) and the eventual repository of all high-entropy matter-energy (waste)**
  - **Human-made capital is created out of the natural resources provided by natural capital and is used, in conjunction with labour, to transform future resources extracted/harvested from natural capital into goods with higher use value than the use value of the natural resources (e.g., we use saws and lathes to transform wooden logs into wooden furniture because the latter is more comfortable to sit on than the former)**
  - **Human-made capital (a resource-transforming agent) is never a substitute for natural capital (a resource-providing agent)**

# **‘Capitalism’ is just a modern form of institutionalised chrematistics**

- **The term ‘capitalism’ to describe our current system is a bad one.**
  - **The binding form of capital – the form of capital that limits what we can produce and consume – is the one that is most constraining**
  - **H-G societies live off natural capital and on the income it provides; they have little human-made capital (basic tools, weapons, shelter, and clothing) – the most limiting form of capital is human-made capital**
  - **Modern society lives off and on natural capital (i.e., it depletes natural capital as if it was income) and has large stocks of human-made capital**
    - **If we are talking about humankind’s short-term ability to produce goods, the most limiting form of capital is human-made capital, albeit it is less limiting than in H-G societies**
    - **If we are talking about humankind’s long-term ability to produce goods (i.e., what is sustainable), the most limiting form of capital is natural capital ( $EF = 1.8 \times BC$ )**
    - **We are only able to produce the quantity of goods that we do at present because there are sufficient stocks of natural capital to exploit and deplete – that can’t continue with  $EF > BC$  (the global economy has far exceeded its maximum sustainable scale)**
    - **H-G societies are ecologically sustainable (e.g., Aboriginal Australians lived successfully on the Australian continent for 60K yrs)**

# **‘Capitalism’ is just a modern form of institutionalised chrematistics**

- **The term ‘capitalism’ to describe our current system is a bad one.**
  - **Since the advent of agriculture 11,000 years ago, which freed the hands of many people and led to the rise of ruling psychopaths, virtually all post-H-G systems have been a form of institutionalised chrematistics**
  - **Systems based on institutionalised chrematistics have evolved**
  - **Like all evolutionary change, there are periods of gradual change punctuated by radical changes**
  - **Ruling psychopaths (chrematists) maintain stability of the system that confers them power and wealth by making ‘concessions’ from time to time – this simply delays the inevitable destruction of chrematistic systems (and the eventual fall of Empires)**
  - **These concessions, together with technological changes, bring about a new form of institutionalised chrematistics (radical change)**
  - **Initially, chrematistics was institutionalised through the use of *enslavement* (an extreme form of tyranny)**
  - **5,000 years ago, ruling psychopaths liberated some of the enslaved population and a new (less unstable) form of chrematistics was institutionalised through the use of modern money and taxation (the latter being a less extreme form of tyranny) – markets were born, although they played a minor role in people’s lives**

# 'Capitalism' is just a modern form of institutionalised chrematistics

- **The term 'capitalism' to describe our current system is a bad one.**
  - **As empires collapsed (e.g., Roman Empire), a new institutionalised class structure was required to maintain stability (order and defence) in a chaotic and fragmented system**
    - **This eventually led to the rise of *feudalism* (9<sup>th</sup> to 15<sup>th</sup> centuries A.D.) as a new form of institutionalised chrematistics – serfs worked the lord's land for a fee (rent) and paid labour dues, which maintained the lord's sustenance and wealth (and privileged position)**
    - **Concessions made by the ruling psychopaths (nobility) consisted in the form of the 'Commons' – a welfare safety-net of sorts that enabled the serfs to acquire some basic necessities without having to engage in markets (food, fibre, building materials, etc.); and protection by the lords' knights**
    - **Note: The Commons prevented the market from playing a central role in people's lives – market engagement remained peripheral to the lives of serfs**
  - **16<sup>th</sup> century Reformation – elevated wealth accumulation from a sin to a virtue and preached the virtues of the Protestant work ethic**
  - **Enclosure Laws – denial of the Commons forced people to engage in the market to obtain basic necessities; this left them vulnerable to the whims of pre-modern market forces (Polanyi's Great Transformation)**

# **‘Capitalism’ is just a modern form of institutionalised chrematistics**

- **The term ‘capitalism’ to describe our current system is a bad one.**
  - **Polanyi’s Great Transformation – Neoliberalism 1.0 and the rise of the Industrial Revolution**
  - **Tech. progress and mass production saw the emergence of privately-owned nodes of central planning (firms) – in particular, large corporations**
    - **Oligopoloies (selling power) and oligopsonies (buying power) emerged, as therefore did modern markets, which were buying/selling arrangements that became new and important communication mechanisms connecting buyers/sellers throughout the supply chain – modern markets are a functional requisite of a modern, complex, and technologically sophisticated socio-economy**
    - **However, modern markets provided oligopoloies/oligopsonies with enormous market power to privately ‘internalise’ social benefits (economic rents) and privately ‘externalise’ social costs (i.e., to engage in chrematistic behaviour)**
  - **The abuse of this power is a reason to have governments heavily regulate modern markets – the functional requirement of modern markets is a reason not to reject them outright**
  - **Communism failed because it did the latter (Communism only works in a H-G society) – the modern form of institutionalised chrematistics (Neoliberalism 2.0) will also fail, just as Neoliberalism 1.0 failed**

# **‘Capitalism’ is just a modern form of institutionalised chrematistics**

- **The term ‘capitalism’ to describe our current system is a bad one.**
  - **Only a heavily regulated modern market system based on oikonomic principles will succeed!**
  - **Neoliberalism is about institutionally (re)configuring modern markets on the basis of chrematistic principles – it sows the seeds of its own destruction (e.g., Neoliberalism 1.0 in the 19<sup>th</sup> and early-20<sup>th</sup> centuries)**
  - **This triggered the tripartite WW1-Great Depression-WW2 interregnum, which destroyed a lot of the power and wealth of the ruling psychopaths/chrematists**
  - **Thanks to the institutions established by the ruling psychopaths (concessions granted that merely delayed the collapse of the system), the masses seized sufficient power to bring about the closest thing to a modern form of oikonomia (immediate post-WW2 period)**
  - **But it was still chrematistic in that it was still based on continuing GDP growth as its primary objective – thus, the quasi-oikonomic period of the immediate post-WW2 period ‘failed’; the masses no longer had political parties representing their interests (parties, Left and Right, all became mesmerised by neoclassical economics); and the system gave way to the beginnings of Neoliberalism 2.0 in the late-1970s**
  - **Assisting the rise of Neoliberalism 2.0 was the impending collapse of Communism – there was no competition**

# **‘Capitalism’ is just a modern form of institutionalised chrematistics**

- **The term ‘capitalism’ to describe our current system is a bad one.**
  - **Neoliberalism 2.0 is on the verge of collapsing, just like Neoliberalism 1.0**
  - **When it inevitably collapses, where do we go in a world of 8.25 billion people?; with a global Ecological Footprint 1.8 times global Biocapacity?; and where most people in the global North are, at the very least, passive chrematists (you are one if you have a superannuation fund)? – the global North engages in chrematistic behaviour by robbing Third World workers, future generations, and the First World underprivileged**
  - **My point is that the term ‘capitalism’ is meaningless in a world where all systems are capitalist – we gain nothing by using the term; the term is the product of a false, mainstream, pre-analytic vision of the world**
  - **The real issue is whether the system is oikonomic or chrematistic and, since it needs to be oikonomic, what are the appropriate ends and means to achieve oikonomia in a modern, complex, socio-economy?**
  - **It is folly to believe that oikonomia can be achieved without a good understanding of human well-being (appropriate ends); an understanding of the interdependent relationship between ecosphere and economy; the appropriate use of modern money/taxation (appropriate use of means); the appropriate use and regulation of modern markets (appropriate use of means); and political institutions that are truly democratic (appropriate means), just to name a few.**

# Six supposed GDP growth 'imperatives'

1. **Population growth requires GDP to increase to maintain per capita well-being**
2. **Even if population numbers are stationary, increases in economic welfare require increases in GDP**
3. **Full employment should be a social objective – any increases in productivity (i.e., increases in GDP per work hour) require increases in GDP to maintain full employment**
4. **Any reduction in the resource throughput-intensity of GDP (desirable) reduces throughput costs – this stimulates demand for more goods, which leads to increases in GDP – the throughput savings are overwhelmed and the rate of throughput usually increases (the rebound effect)**
5. **Interest rates: Interest income paid to savers increases demand, which leads to increases in GDP; interest charged on advances of credit money necessitates increases in income (GDP) to enable borrowers to repay their debts**
6. **'Capitalism' collapses unless GDP is constantly growing**

# Six supposed GDP growth 'imperatives'

## 1. Population growth requires GDP to increase to maintain per capita well-being

- *What is true*
  - Aggregate quantities must increase at the same rate as the population grows to maintain per capita values, including pc GDP
  - Population growth is the largest driver of GDP growth (F= PAR)
- *What isn't true*
  - The same percentage increase in GDP and population, which maintains per capita GDP, also maintains per capita well-being
    - Per capita benefits do not increase
    - Total costs increase at an increasing rate (ecological costs, congestion costs, etc.) – hence, per capita costs increase
    - Per capita economic welfare (per capita benefits minus per capita costs = GPI) declines
  - The population of humans must be increased
  - The rate of human reproduction is not a choice (at least for the people who make reproductive decisions)
- *Conclusion: Population growth could be avoided and isn't necessary – it is a (bad) choice because it drives up GDP to unsustainable levels and reduces per capita economic welfare; it is not an imperative*

# Six supposed GDP growth 'imperatives'

2. Even if population numbers are stationary, increases in economic welfare require increases in GDP

- *What is true*
  - The benefit-yielding qualities of goods and service that make up GDP can be increased many ways:
    - Redistribute financial claims on GDP from the low marginal use values of the rich to the high marginal use values of the poor
    - Improve the quality of the goods produced (increase their use value)
    - Improve the way we organise ourselves to produce goods and services – ensure everyone who wants paid work is fully employed; make the production process safer, more stimulating, and more engaging (more democratic)
    - Clearly, per capita benefits can be increased without having to increase per capita GDP
  - The throughput-intensity of GDP (and therefore ecological costs) can be decreased many ways:
    - Increase the technical efficiency of production
    - Increase the durability of goods
    - Increase the recyclability of goods

# Six supposed GDP growth ‘imperatives’

## 2. Even if population numbers are stationary, increases in economic welfare require increases in GDP

- *What is true*
  - The throughput-intensity of GDP (and therefore ecological costs) can be decreased many ways:
    - Improve resource extraction techniques (e.g., selective logging rather than clear-felling; underground mining rather than strip mining)
    - Improve waste generation techniques
    - Clearly, per capita costs can be decreased whilst GDP remains constant – in fact, as previously explained, per capita costs tend to increase as GDP rises
  - Increases in GDP are not necessary to increase per capita economic welfare and, as the GPI consistently shows, are lowering per capita economic welfare
- **Conclusion: *Increases in GDP in a deluded effort to increase economic welfare is a (bad) choice; it is not an imperative***

# Six supposed GDP growth 'imperatives'

3. **Full employment should be a social objective – any increases in productivity (i.e., increases in GDP per work hour) require increases in GDP to maintain full employment**
  - *What is true*
    - **Full employment should be a social objective**
      - **Work is a human need – people need to work to feel useful, be valued in the community, and to actively participate in society**
      - **Unemployment is one of the largest causes of mental illness, crime, physical and substance abuse, and suicide**
      - **Most people believe that as much as society has an obligation to ensure individuals have their needs met, including their need for paid work, individuals have an obligation to contribute – through paid work – towards the production of the goods they can financially claim, provided they are physically and mentally able to do so and are not above the retirement age (reciprocity)**
    - **Increases in productivity reduce the work hours required to produce a given GDP – this reduces the labour cost per item produced**
    - **Increases in productivity can be shared by labour and owners of capital in the form of higher real hourly wages (labour) and higher profits (capital) without having to increase GDP and without it causing inflation**

# Six supposed GDP growth 'imperatives'

## 3. Full employment should be a social objective – any increases in productivity (i.e., increases in GDP per work hour) require increases in GDP to maintain full employment

- *What is not true*
  - People must work 35-40 hours per week to meet their need for work and earn the income needed to satisfy their material needs
- Because increases in productivity can be enjoyed in the form of higher real hourly wages for labour, people (ought to) have the choice between working the same number of hours per week, which means enjoying more consumption, and working fewer hours per week and enjoying the same level of consumption and more leisure time
- The latter would mean not having to increase GDP to maintain the same level of employment or to achieve and maintain full employment
- If we opt to work just as many hours to enjoy higher consumption levels (increase GDP), that is a choice we make
- *Conclusion: Increases in GDP to maintain full employment in the face of rising productivity is a (bad) choice given that the additional benefits of such a choice are exceeded by the additional costs – we could instead work fewer hours, maintain our material needs, and have our need for paid work satisfied; it is not an imperative*

# Six supposed GDP growth 'imperatives'

4. Any reduction in the resource throughput-intensity of GDP (desirable) reduces throughput costs – this stimulates demand for more goods, which leads to increases in GDP – the throughput savings are overwhelmed and the rate of throughput usually increases (the rebound effect)
  - *What is true*
    - Reductions in the resource throughput-intensity of GDP, which are desirable and should be pursued, reduce throughput costs
    - Reduced throughput costs can be shared by labour and the owners of capital in the form of higher real hourly wages (labour) and higher profits (capital) – we can choose between higher incomes and the same real incomes/more leisure
    - If we opt for higher incomes, it stimulates demand for more goods
    - To be met, the demand for more goods requires increases in GDP
    - *Ceteris paribus*, increases in GDP require greater rates of resource throughput
    - We have two counteracting forces on the rate of throughput – we have reductions in the throughput-intensity of GDP (downward) and increases in GDP (upward)
    - Invariably the latter exceeds the former and the overall rate of resource throughput increases (the rebound effect)

# Six supposed GDP growth 'imperatives'

4. Any reduction in the resource throughput-intensity of GDP (desirable) reduces throughput costs – this stimulates demand for more goods, which leads to increases in GDP – the throughput savings are overwhelmed and the rate of throughput usually increases (the rebound effect)
  - *What is true*
    - **F = PAR (Footprint = Population x pc GDP x Footprint/GDP)**
    - **Over the past 50 years:**
      - **F = global footprint has doubled (2x)**
      - **P = global population has doubled (2x)**
      - **Gross World Product (GWP) has increased four-fold**
      - **A = per capita Gross World Product (GWP) has doubled (2x)**
      - **R = footprint-intensity of GWP has halved (0.5x)**
      - **$2 = 2 \times 2 \times 0.5$**
      - **Despite halving the footprint-intensity of GWP, the global Footprint has doubled – a clear case of the rebound effect**
    - **We don't have to increase GDP – we could produce the same GDP (perhaps even less GDP) and exploit the reductions in the footprint-intensity of GDP to reduce the overall rate of throughput**

# Six supposed GDP growth 'imperatives'

4. Any reduction in the resource throughput-intensity of GDP (desirable) reduces throughput costs – this stimulates demand for more goods, which leads to increases in GDP – the throughput savings are overwhelmed and the rate of throughput usually increases (the rebound effect)
  - If rich nations reduced GDP, per capita GDP would decrease, but per capita benefits would barely fall, particularly if GDP was more equitably distributed
  - If rich nations reduced GDP, per capita costs – mostly ecological costs, but also social costs – would fall significantly and economic activity could, if GDP is reduced enough, be ecologically sustainable
  - If rich nations reduced GDP, the per capita economic welfare of rich nations would increase – it would also provide 'ecological space' for impoverished nations to increase their GDP
  - The rebound effect can be avoided by placing quantitative restrictions (caps) on the rate of throughput – the fact that we don't impose throughput caps is a choice we make (essentially to avoid other choices)
  - Conclusion: *The rebound effect is the result of making a (bad) choice to exploit reductions in the throughput-intensity of GDP to increase GDP rather than reduce the overall rate of throughput, where the latter would increase the per capita economic welfare of wealthy nations; the rebound effect is not an inevitability*

# Six supposed GDP growth 'imperatives'

5. **Interest rates: Interest income paid to savers increases demand, which leads to increases in GDP; interest charged on advances of credit money necessitates increases in income (GDP) to enable borrowers to repay their debts**
  - *What is true*
    - **Payments to savers at an interest rate greater than the rate of inflation (positive real interest rate) is equivalent to an economic rent to savers, since it constitutes an unearned increase in savers' financial claims on real wealth**
    - **Interest payments by borrowers of credit money is equivalent to an economic rent to the advancers of credit money, since it constitutes an unearned increase in the latter's financial claims on real wealth**
      - **The economic rent arises because advancers of credit money (banks) create credit money out of nothing and therefore do not surrender real stuff to obtain interest payments that grant them financial claims on real stuff**
      - **Note: The same situation doesn't apply to lenders of savings (e.g., credit unions, term deposit holders, corporate bond holders) if the interest payment equals the rate of inflation – a zero real interest rate merely maintains the spending power of lenders' savings**

# Six supposed GDP growth 'imperatives'

5. **Interest rates: Interest income paid to savers increases demand, which leads to increases in GDP; interest charged on advances of credit money necessitates increases in income (GDP) to enable borrowers to repay their debts**

- ***What is not true***
  - **Payments to savers at an interest rate greater than the rate of inflation (positive real interest rate) increases aggregate demand**
    - **Whilst interest payments increase savers' financial claims on real wealth, they reduce the financial claims of debtors on real wealth (zero sum game) – i.e., one saver's real interest income is another person's real interest payment**
    - **There is, therefore, no increase in aggregate demand**
    - **Hence, interest payments do not lead to increases in GDP**
    - **An exception would be a positive real interest payment by a CICG to a holder of CICG issued bonds (positive sum game), although a CICG could nullify this effect by increasing taxes**
  - **Interest liabilities of borrowers of credit money requires borrowers to earn additional income, which leads to increases in GDP, to enable borrowers of credit money to pay the interest charges on top of their principal repayments**

# Six supposed GDP growth 'imperatives'

5. **Interest rates: Interest income paid to savers increases demand, which leads to increases in GDP; interest charged on advances of credit money necessitates increases in income (GDP) to enable borrowers to repay their debts**

- **Person A (annually):**
  - **Produces good X; does not consume good X; sells good X to earn an income of \$200 (assume zero taxes and a zero inflation rate)**
  - **Uses the \$200 of income to purchase \$100 of goods Y (necessities) and \$80 of goods Z (luxuries); saves \$20**
  - **Immediately requires a kidney dialysis machine (good W) to stay alive, which costs \$100**
  - **Borrows \$100 of credit money to purchase good W – must repay the \$100 (at a zero interest rate) to the advancer of the credit money (bank) – the \$100 is repaid over five years at \$20 per year (savings)**
  - **Could save \$100 and buy good W in five years' time, but would die**
    - **Current year: Enjoys \$280 of consumption although only earns \$200 (has brought spending forward – a marvellous feature of modern money (spending time-machine))**
    - **Years 2-5: Enjoys \$180 of consumption but earns \$200; has shifted consumption forward five years and foregone future consumption, and stayed alive!**

# Six supposed GDP growth 'imperatives'

5. Interest rates: Interest income paid to savers increases demand, which leads to increases in GDP; interest charged on advances of credit money necessitates increases in income (GDP) to enable borrowers to repay their debts

- **Person A:**

- Same situation except person A must now repay the \$100 principal plus \$50 interest to the advancer of the credit money (bank)
  - Current year: enjoys \$280 of consumption although only earns \$200 (has brought spending forward)
  - Years 2-5 (case 1): Repays the \$100 debt (principal) from annual savings of \$20; pays the \$50 of interest by increasing annual production/income to \$210; this leads to a rise in GDP
    - Income \$210 + \$100 borrowed (available in Year 1)
    - Consumption Year 1 = \$280
    - Principal repayment = \$20
    - Interest payment = \$10
    - Consumption Years 2-5 = \$180
    - Principal repayment = \$20
    - Interest payment = \$10

} \$310 spent in Year 1

} \$210 spent in Years 2-5

# Six supposed GDP growth 'imperatives'

5. Interest rates: Interest income paid to savers increases demand, which leads to increases in GDP; interest charged on advances of credit money necessitates increases in income (GDP) to enable borrowers to repay their debts

- Person A:

- Same situation except person A must now repay the \$100 principal plus \$50 interest to the advancer of the credit money (bank)

- Current year: enjoys \$280 of consumption although only earns \$200 (has brought spending forward)

- Years 2-5 (case 2): Repays the \$100 debt (principal) from annual savings of \$20; pays the \$50 of interest by reducing spending on goods Z to \$70; has no need to increase production/income beyond \$200; there is no rise in GDP

- Income \$200 + \$100 borrowed (available in Year 1)

- Consumption Year 1 = \$270

- Principal repayment = \$20

- Interest payment = \$10

} \$300 spent in Year 1

- Consumption Years 2-5 = \$170

- Principal repayment = \$20

- Interest payment = \$10

} \$200 spent in Years 2-5

# Six supposed GDP growth 'imperatives'

5. **Interest rates: Interest income paid to savers increases demand, which leads to increases in GDP; interest charged on advances of credit money necessitates increases in income (GDP) to enable borrowers to repay their debts**

- **Whether case 1 or case 2, there is a redistribution of financial claims on real wealth in favour of the bank's shareholders – economic rent**
- **Banks should be CICG-owned and the interest paid to savers and the interest paid by borrowers of credit money should be set at the rate of inflation (zero interest rate) – this would:**
  - **maintain the spending power of savings**
  - **make borrowers surrender the same spending power (future claims on real wealth) as they gain from borrowing credit money (which bring claims on real wealth forward)**
- **Interest payments to CICG-owned banks should be destroyed, not unlike principal repayments to banks and tax payments to the CICG**
- **The difference between case 1 and case 2 is a choice, not an imperative – if case 1 is chosen, this is use of modern money to bring increased consumption forward; it should only be used to choose between current and future consumption, not to increase consump<sup>n</sup>**
- ***Conclusion: Any desire to increase GDP to pay interest charges is a choice; interest rates do not create a GDP growth imperative***

# Six supposed GDP growth 'imperatives'

## 6. 'Capitalism' collapses unless GDP is constantly growing

- Recall – all systems are 'capitalist', so we are really arguing whether a modern form of institutionalised chrematistics collapses without continuous GDP growth
- Ironically, it will be growth, not a lack of it, that will sound the death knell for the modern form of institutionalised chrematistics
- If markets are functional requisite of a modern socio-economy, then profits will be part-and-parcel of a modern socio-economy
- Profits can be sustained without the need for growth, although increasing concentration within industries (larger firms) may occur, as might the growth of some industries as others wane
- Investment will always be necessary (replacement of worn-out human-made capital) and investment will always be viable while profits can be generated, with or without growth
- In an oikonomic system, profits can be sustained by keeping a lid on costs (easy in a steady-state economy); healthy profits can be generated together with higher real wages provided the benefits of increased productivity, value-adding, etc., are equally shared between labour and owners of human-made capital
- *Conclusion: A modern form of oikonomia using modern markets and permitting profits as a return on capital investment does not require growth; growth is again a choice, not an imperative*

# Growth is a choice – but by whom?

- Although growth is a choice, not an imperative, do we collectively make the choice?
- I don't believe we do – the choice is made by the ruling psychopaths/chrematists, because our political institutions are not at all democratic (democracy is an illusion)
- However, our political institutions were never designed to be democratic (their weak-democratic nature is just another concession made by the ruling psychopaths)
- That said, even if our political institutions were democratic, modern society woefully confuses means with ends – a predilection with continuous GDP growth is perhaps the best example of this (it is worshipped in a modern world)
- Operating in an oikonomic manner requires a proper identification of ends and means, their separation, the appropriate ordering of ends, and the appropriate use of the means to achieve our ends – modern society is a long way short of this, so the masses are likely to make bad choices even if they can wrestle power off the ruling psychopaths.