

Anna Maria Hochhauser Reinhard Steurer **JEL-No: O4, O40, O44, Q0, Q00, Q01**

The Economic Growth Controversy in the Infinite Loop: Themes and Paradigms in Retrospect

This article sheds light on the often ignored historical context of the societal guiding model sustainable development. The time travel through 60 years of economic growth controversy provides a brief overview of the main arguments exchanged in the 1960s and 1970s. For the last 20 years it shows that there is not a single, universally accepted understanding of sustainable development, but that one has to distinguish at least three different paradigms, all of them showing obvious parallels with the discussion about "Limits to Growth" in the 1970s. The article concludes that the discussion about the relationship of growth and the environment cannot be resolved with scientific means, mainly because it is not only concerned with facts but also with shaky extrapolations of past trends, values and (optimistic or pessimistic) world views. Thus, it can be assumed that also the future economic growth controversy will produce more heat than light.

Ralf Kronberger

JEL-No: E42, F15, F33, F42

The euro area in the light of optimum currency area theory

The optimum currency area theory is intended to indicate whether a country benefits from joining a currency union. From this theory, criteria – such as wage flexibility, labour mobility or fiscal transfers – have been derived to help decide whether the relinquishment of the exchange rate instrument is advantageous. New approaches to optimum currency area allow for endogeneity of these criteria. Therefore, it was no longer necessary that optimum currency area criteria had to be fulfilled before forming a monetary union. A monetary union can become optimal. Empirically, the traditional approach to optimum currency area criteria gives little reason for belief in the euro area's being optimal. Taking into consideration the endogeneities, trade integration cum monetary integration as well as financial integration, in particular, have led to some convergence of business cycles, which are still dominated by idiosyncratic shocks.

Financial markets have reacted sensitively to overly large public expenditures and persisting macroeconomic imbalances in the euro area. Measures such as the European Financial Stability Facility, the European Semester and proposals of the European Commission containing more stringent rules for the Stability and Growth Pact have provided temporary relief. However, it is clear that fiscal and macroeconomic coordination have to be improved significantly. The interesting questions are: How deep will economic (and perhaps political) integration become? Which resolutions can be found to avoid persistent macroeconomic imbalances within the euro area and/or cushion the effects of these imbalances?

Ist Grünes Wachstum möglich? Reflexionen und Auswirkungen auf Österreich

Unsere heutige Wirtschaftsweise ist abhängig von einem steigenden Ressourcen- und Energieverbrauch. Der hierdurch stetig wachsende ökologische Fußabdruck gefährdet die Einhaltung wichtiger biophysikalischer Schranken, wie der 2 Grad Grenze, unter welcher die globale Klimaerwärmung stabilisiert werden sollte. Der hier zu Grunde liegende Wachstumsimperativ ist im Grossen und Ganzen bisher wenig hinterfragt und in letzter Zeit durch das Konzept des „Grünen Wachstums“ ergänzt worden, welches die Vereinbarkeit von steigender Produktion und Einkommen mit der Einhaltung von wichtigen umweltpolitischen Zielen suggeriert. Bezugnehmend auf den Klimawandel als ein wichtiges umweltpolitisches Problemfeld hinterfragen wir diese Kompatibilität kritisch und diskutieren Herausforderungen wie auch Konsequenzen für Politik und ökonomische Forschung.

Eine Herausforderung besteht darin, dass es äusserst ungewiss erscheint, ob Energieeffizienzsteigerungen wie historisch beobachtet alleine ausreichend wären, um das 2 Grad Ziel zu erreichen. Desweiteren ist trotz relativer Entkopplung eine absolute Entkopplung von Treibhausgasemissionen und Wachstum generell nicht in Sicht. Anhand des eher typischen Beispiels von Österreich illustrieren wir die Schwierigkeiten der Vereinbarkeit von Wachstum mit Umweltzielen wie sie durch das Kyoto-Protokoll eingefordert werden. Im Hinblick auf analytische und politische Implikationen sehen wir eine Notwendigkeit zur Verbesserung makroökonomischer Analysen, welches zu einer wirklichen Respektierung biophysikalischer Grenzen und der Feedback-Mechanismen zwischen Wirtschafts- und Umweltpolitik führen sollte.

Da ein Szenario geringen Wirtschaftswachstums (unabhängig der aktuellen globalen Finanz- und Fiskalkrise) in vielen Industriegesellschaften durchaus plausibel erscheint, würden strikte Klima- und Umweltpolitikmassnahmen umgesetzt, sollten Politikmassnahmen verstärkt dazu führen, dass öffentliche Investitionen in erneuerbare Energien und Effizienzsteigerungen gelenkt werden. Auch scheinen sozialpolitische Überlegungen wünschenswert, welche dazu führen würden, dass die Zeit, welche heute für die Produktion ressourcenintensiver Güter aufgewandt wird auf alternative Tätigkeiten umgelenkt wird, welche letztendlich zu gleichem oder höherem Wohlbefinden führen mag. Schließlich gilt es verbesserte Instrumente zur Entscheidungsunterstützung einzusetzen, welche den Fokus von Wirtschaftswachstum, Preisstabilität und ausgeglichener Zahlungsbilanz auch auf Anliegen wie gerechtere Einkommensverteilung und verbesserte Arbeitsbedingungen lenken.

Hans Christoph Binswanger

JEL-No: E5, G2, O16, P1

Growth imperative and growth incentive of modern economy

The modern economy is characterized by a growth imperative and a growth incentive. As shown in this article, growth on the one hand increases real GDP and material well being, but on the other hand also causes collateral damages, such as an increase in financial crises and environmental hazards. Therefore there is a need for economic reforms to mitigate the growth imperative and the growth incentive. Two of such proposals for reforms are presented in the end of the article.

Beyond GDP – The ‘National Welfare Index’ as a complementary instrument of information

The social welfare debate has recently been rekindled both at the national level of many countries and at the level of international organizations like OECD and the EU. There are clear signs that the costs of environmental change and of the maintenance of social cohesion are not adequately explicated by economic quantities like gross domestic product resp. gross national income (GDP/GNI). The contribution analyses in its first part the main shortcomings of the traditional paradigm of economic growth. It is only slowly, that the possibility of economic growth without welfare improvement is accepted, especially when the negative external effects of growth consume the achieved welfare improvement. And the opposite can also be the case: an improvement in the quality of life, which is not accompanied by economic growth. In spite of this, the mere conceptual conclusion that the idea of social welfare should be detached from the economic growth paradigm, still seems difficult to accept, if not openly revolutionary, and not only in Germany.

In a second part, the presentation describes the result of an empirical study of the authors to design a new national welfare index (NWI) that allows a comparison with the German GDP/GNI, giving a time series of NWI from 1990 to 2008.

Within the last years, the German NWI is falling compared to GNI. Given this difference it has to be discussed in detail whether Germany is really approaching the aim of accounting economic sustainability or whether economic results as shown by the GDP/GNI had to be interpreted in a different way. The intensive debate carried out at OECD and EU level about the relation between economic growth and real welfare enhancements on the basis of these conceptual reflections and empirical results is becoming more important. The NWI is to be seen as a starting point for a debate on the issues of economic growth, sustainability and social prosperity going beyond academic circles.

Stefan Schaltegger

JEL-No: M14, M10, M40

Economic sustainability as a driver of corporate economic success and structural change

Barely a notion faces as many interpretations as sustainability. However, it is undisputed that sustainable development requires a sustainable development of companies. A closer investigation shows that corporate sustainability creates structural change and that creative destruction (in the sense of Schumpeter) of unsustainable economic structures and processes is already taking place. Qualified sustainability management thus becomes a driver of corporate economic success and structural change.

Gerhard Scherhorn

JEL-No: O1

Politics in the growth trap

The key problem of mankind today is that politics remains fixated on economic growth by exploiting our natural and social capital. The solution would be to move on to the very opposite, a policy of sustainable development. Thereby every more sustainable production would grow (as far as can be achieved without rebound effects) but all less

sustainable production would shrink because the current habit of unloading costs on to the commons („externalization“) would be gradually reduced in order to become wholly avoided. That policy would only succeed if society breaks with the goal of economic growth, since it requires a new responsibility for maintaining not only the natural commons as biodiversity or climate but also the social commons like participation, equality of opportunity or general welfare. In order to manage that break the principle of social responsibility of private property would have to be extended to capital ownership. In the future the commons will be maintainable only by sustainability, but no more by economic growth.

Konrad Pesendorfer/Ferdinand Leitner

JEL-No: A130, I310, O470, Q010

New approaches to measure Wellbeing and Progress of Societies

Ever since national accounts have been compiled, there has been demand for measures of quality of life and societal progress that go beyond conventional measures of Gross Domestic Product and its development. Recently, against the background of the world economic and financial crisis, the report of the Stiglitz-Sen-Fitoussi-commission attracted the attention of political stakeholders, and, thus, provided a window of opportunity to implement the commission's recommendations in official statistics. This article briefly discusses different aspects of measuring welfare and well-being and, subsequently, delineates the attempts on the European level towards a better and broader statistical description of quality of life and societal progress. Both the limits and the opportunities for official statistics are taken into account.

Wolfgang Mazal

JEL-No: Q44

Sustainable Family Policy – Prolegomena

The paper elaborates approaches for a sustainable family policy. Among the conclusions is Family Mainstreaming as appropriate way to combine family policy with other fields of politics.

Jürgen Janger

JEL Code: N14

The Performance of stabilisation policies in Austria: any lessons for the future?

This article examines the performance of stabilisation policies in three episodes of Austrian post-world war II economic history. The fiscal and monetary policy stance is assessed using indicators back to 1954 and a literature survey. Fiscal and monetary policy have globally assured economic stabilisation and contributed to the good growth performance of the Austrian economy. More recently, the stabilisation performance of monetary policy suffered from insufficient financial market regulation while fiscal policy was constrained by structural deficits which were not reduced in good times, triggering pro-cyclical fiscal policy. The article also suggests re-examining several received wisdoms on Austrian economic history, such as the growth miracle after the second world

war, the real economic effects of the hard currency policy and the labour market performance in the 70ies and 80ies.

Bernhard Grossmann/Eva Hauth

JEL-No: H54, R42, E62

Infrastructure Investment in Austria as an Economic Policy Instrument of the Public Sector

This article analyzes the government's economic policy role as investor and economic stabilizer in Austria. It deals with the effects of (material) infrastructure investment on economic activity and growth. It discusses empirical issues about the volume, structure and development of, and the public sector's role in, such investment in Austria. The results show that publicly-owned organizations under private law are the main providers of material infrastructure in Austria. The public investment volume markedly understates the actual total investment. Finally the government should not assume that additional growth and employment alone would suffice to fully fund infrastructure investment

