

**Oregon State Bar
Sustainable Future Section**

Photo: J. Michael Mattingly

The Long View

Breathing Room Economics

By Robert Dietz

When I graduated from college, I was trapped underneath a mountain of debt. I had no money in the bank, \$25,000 worth of student loans, and an interesting, but low-paying job doing research on economic and environmental policy. I'm sure many students today look at that \$25,000 figure longingly, as they struggle with debts upwards of \$100,000. But for me, the \$25,000 was huge. After adding up rent, food, loan repayment, and other basic expenses, I didn't have any money left at the end of each month. It became obvious very quickly that I was stuck—I didn't have something that I truly desired: breathing room.

In order to reclaim some breathing room, I decided to make paying off my student loans a top priority. I worked hard, cut expenses to the bone, and put as much extra money as possible toward those loans. I paid them off in 3 years and found myself with a bit of the breathing room I craved. How did I use it? I took an entire summer off from work and rode a tandem bicycle with my girlfriend (now wife) across the country – a trip that changed my life for the better, but that's a story for another day.

The story of human striving, whether considered in the context of an individual or an entire economy, features the quest for breathing room as a central theme. Attainment of breathing room bestows a greater level of security, a wider array of choices for how to spend time and allocate resources, and greater possibilities for meeting needs. Early economists such as Adam Smith and Francois Quesnay recognized the importance of breathing room in the form of agricultural surplus. It is precisely this agri-



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cultural surplus that allows for the division of labor. Without being occupied by hunting, gathering, growing, or otherwise obtaining food, people can spend their time and energy on other productive activities. Division of labor, in turn, has generated efficiencies and economic growth that have, in the past, provided even greater quantities of breathing room.

The emergence of breathing room in the economy has given rise to a choice, not unlike the financial situation I created when I paid off my student loans: what do we do with it? In the economy of a single household, this choice might take the form of purchasing more goods and services. It might also take the form of working fewer hours, spending more time on leisure activities, and sharing extra resources with family, friends or community members. In the broader economy, the same possibilities exist. We can use breathing room to consume more, to take more time off, to share, etc.

The economy of the United States and many other nations, however, don't recognize the range of choices. We tend to spend our breathing room the same way in an unending and unsound cycle of economic growth. When we have breathing room, we use it to expand the scale of the economic enterprise; we plow it right back into economic growth, and we have to stare down the possibility of running out of air.

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The cycle is composed of these steps:

1. We grow the economy by increasing the production and consumption of goods and services (generally indicated by increasing real GDP).
2. As the economy grows, it begins to bump up against resource and ecological limits, and we experience the negative effects of that growth.
3. We use technological innovation to push back the limits to growth.
4. We establish breathing room.
5. We use up our breathing room to go on growing the economy and the cycle repeats itself.

A critical change, however, occurs each time through the cycle. Resource and ecological limits become more imposing, as the consequences of growth shift from the local to the global scale—instead of worrying about a local river catching fire, we are now worried about destabilizing the climate of the entire planet. In turn, the technological innovation needed to deal with these consequences becomes more complex. If we stay in this cycle, the prospects of achieving lasting breathing room are dim.

The story of Norman Borlaug demonstrates the point. Borlaug was an amazing plant scientist. He directed an agricultural research program in Mexico, and over the course of twenty years, he developed a new strain of high-yield, disease-resistant wheat. He took what he learned and set out on a humanitarian mission to battle hunger by spreading his new strains and farming techniques around the world. His effort came to be called The Green Revolution, and it prevented famine, suffering, and starvation for masses of people. Borlaug was spectacularly successful in achieving breathing room. What did we do with this cushion? We used it for growth.

When Borlaug won the Nobel Peace Prize in 1970, the number of malnourished, hungry people was estimated to be about a billion, a huge and scary number. How



many hungry people are there today? Just about the same. Instead of using our breathing room to eliminate hunger, we used up our breathing room by growing the population and the amount we consume.

Spending our breathing room on economic growth failed to eliminate hunger, but it also intensified our resource and ecological problems. Environmental issues used to be local in scale—a river on fire here, a wetland filled in there. Now many of the issues have become global. Think climate change, deforestation, disappearing pollinators, deformed amphibians, acidifying oceans, and other disturbing worldwide phenomena that are well documented in the scientific literature. As the consequences pile up, maybe another Norman Borlaug or a hundred Norman Borlaugs will come along. But wouldn't we have been better off stabilizing our growth and preventing both hunger and all the collateral damage to ecosystems?

Why, then, must we spend our breathing room on growth? What about short-circuiting this cycle of growth? The economy is a human construct, and growth of the economy is not an ironclad natural law — it is a human choice to grow the economy. Granted, our institutions and culture are geared for growth. Cessation of growth is avoided at all costs for fear of unemployment and social instability, but with growth working like a huge vacuum cleaner sucking up all our breathing room, perhaps it is time to get to work on changing our institutions and culture. With the right economic framework in place, we can take our breathing room and cut out steps one, two and five of the cycle. In a steady state economy, we can use our breathing room for innovation and development, rather than for growth.

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needs, achieving a high quality of life for all people, and sustaining natural resources and useful infrastructure to provide opportunities for future generations. Breathing room is the main ingredient in the recipe for progress and prosperity. Unmindful pursuit of economic growth is eating up this main ingredient before we can even finish preheating the oven. Establishing a steady state economy, with stable population and stable throughput of energy and materials, is the way to protect our breathing room. The sooner we get started on the transition, the sooner we can all breathe a little easier.



Robert Dietz is the Executive Director of The Center for the Advancement of the Steady State Economy (CASSE), which is based in Washington, D.C. Mr. Dietz will be discussing the steady-state economy at the SFS program scheduled to take place on March 29, 2011 at Noon at Miller Nash in Portland.