Growth, degrowth, and poverty reduction

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Abstract
It is routinely argued that degrowth scenarios, while they may be good for the planet, will make it impossible to combat poverty. Growth, indeed, would be indispensable both for jobs creation and to allow the financing of public services and social protection. This chapter in the *Routledge Handbook on Degrowth* questions these claims. It argues that the pursuit of growth may, in fact, become counterproductive, creating the very problems – increasing inequalities and social exclusion – that it was meant to address. Another approach towards poverty reduction is both feasible and desirable: one that prioritises pre-market measures and an inclusive economy, rather than only post-market redistribution, and one that dedicates the scarce resources available to the realisation of economic and social rights and the satisfaction of basic needs, rather than to increasing wealth for the benefit of the few.

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Introduction

Calls for 'degrowth' or for 'post-growth' approaches to development have had an increased audience since the 1970s, when initial fears were expressed about the impacts of human activities on the environment – as the metabolism of the economy leads to more resource extraction, to biodiversity loss, and to various forms of waste and pollution. Yet, since the start, degrowth or post-growth advocates have faced the counter-argument – increasing the gross domestic product (GDP), they are told, however worrisome the ecological footprint, is still necessary to combat poverty.

This chapter questions the conventional view. It argues that the search for growth has been a diversion from what really matters – to improve well-being and the reduce poverty and inequalities. The argument proceeds in three steps. The following section recalls the dominant narrative about the correlation between growth and poverty reduction. Next, I seek to explain the notion of 'counterproductivity' of growth – under certain circumstances, when pursued through certain tools, the search for GDP increase can actually worsen poverty and social exclusion, creating the very problem growth was meant to address. Finally, I outline the broad contours of a human rights economy, and I seek to explain how such an economy can be more effective in the eradicating poverty. I briefly conclude.

The dominant narrative

The argument against 'degrowth' proposals as a response to the environmental crises includes two inter-related claims. First, GDP increases would result in creating employment opportunities, thus not only ensuring access to jobs for the unemployed (or those in unvoluntary underemployment), but also strengthening the bargaining position of workers who are employed and their unions. Secondly, GDP growth would allow an increase in the public revenue available for the financing of public services and social protection, thus leading to the virtuous cycle characteristic of the post-World War II Fordist arrangement –while total output increases, investors (shareholders in successful corporations) benefit through increased returns on their investment, the state benefits through increased revenue from taxation, and workers benefit through increased wages commensurate with productivity gains. The two claims are inter-related – to the extent that GDP increases support employment creation in combination with productivity gains, it can stimulate spending and, thus, the perpetuation of growth, overcoming occasional slowdowns resulting from business cycles.

This 'win-win-win' arrangement has its intellectual source in Keynesianism. Throughout most of the 20th century, it embodied the conventional wisdom of the times, and did so across the whole political spectrum. To maintain the cycle's functioning, the Left favoured minimum wage legislation and strong social protection, whereas the Right insisted on maintaining public deficits under control and creating a business-friendly investment climate. They disagreed on how to create growth, and they also disagreed on how its benefits should be shared between shareholders, the state and workers. But on the desirability of growth itself, a robust consensus always prevailed. Both sides of the aisle saw it as a necessary ingredient of social progress. Is this correct?

Economic growth and employment

The first component of the dominant narrative is that by increasing the total output of the economy, jobs will be created, thus leading to full employment. Within the Sustainable Development Goals, which embody the 2030 Agenda for Sustainable Development, Goal 8 at least implicitly endorses that postulate – it explains its insistence on 'sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all', noting that '[s]ustainable economic growth will require societies to create the conditions that allow people to have quality jobs that stimulate the economy while not harming the environment' (SDG 2024). Thus, growth should be encouraged to support employment creation which, in turn, remains an essential tool against poverty.

This latter postulate seems difficult to counter. A World Bank study showed that, while social protection did play a greater role in reducing extreme poverty, labour income was the largest single contributor to the reduction of 'moderate' poverty in a set of 16 low- and middle-income countries in which substantial poverty reduction occurred in the period 2000–2010; in ten of these countries, labour income explained more than half of the change in moderate poverty, and in 14 of them, it explained more than 40 per cent of the change in poverty figures (Azevedo et al. 2013). No country can achieve substantial poverty reduction without creating jobs. Shouldn't we aim at increasing the total economic output, therefore, in order to achieve this?

The argument linking growth to employment was made popular in a 1962 publication by Arthur M. Okun, at the time a member of the United States (US) President's Council of Economic Advisors and professor at Yale University. Okun argued that the economy should strive to achieve its 'potential gross national product (GNP)', by using the right fiscal and monetary tools, to ensure that the total aggregate output would employ at least 96 per cent of the civilian workforce (the 4 per cent unemployment rate was considered purely 'frictional'); the relationship between increasing total output and creating employment was established using an empirical analysis of quarterly US data for the period 1947–1960, which led him to conclude that for every percentage point of output growth above normal or potential growth, the unemployment rate of the US would fall by about 0.3 percentage points (Okun 1962).

Over the past 40 years however, this postulate has been amply disproven. Whereas, since 2012, the correlation between GDP increase and unemployment reduction amounted to a meagre 0.34 for Organisation for Economic Co-operation and Development (OECD) countries (Laurent 2021), the correlation between GDP growth and the employment rate has in fact been highly uneven across countries – for the period 1970–2002, for instance, a 1 per cent GDP increase led to a 0.8 per cent fall in unemployment in Spain, but to a meagre 0.05 per cent fall in Luxembourg (Perman and Tavera 2005) – and it has generally been much weaker in developing countries, particularly low-income countries, than in the more advanced economies (Lee et al. 2020). Such differences between countries are attributable in particular to the organisation of labour markets – which may or may not favour linking decisions about hiring or laying off workers to business cycles (Porras-Arena and Martín-Román 2023) – to the role of small and medium sized enterprises, the informal sector and technological developments. In his initial study, Okun (1962) chose to take the existing state of technology as a given (a 'data', as he called it), rather than as a variable. However, if total output is increased by increasing the hourly productivity of workers thanks to the introduction of labour-saving technologies, it is far from clear whether employment creation will result – in fact, the net results may even be negative.

Economic growth and financing of public services

The second component of the dominant narrative is that economic growth is necessary to finance public services and social protection: without growth, the state would be unable to deliver to the population the services it owes to them. This argument is premised on the idea that public revenue can only be raised on the basis of economic activity, through indirect taxes (consumption taxes), direct (personal or corporate) income taxes, royalties paid by companies exploiting natural resources, or tariffs levied on imports or exports, in particular.

It is true that these sources of state revenue have been, historically, the most significant; and it is also true that, where the state relies on such sources of funding, it depends on the maintenance or the increase of total output in order to be able to continue to fund the services it provides. Yet, it is incorrect to conclude that the increase of economic activity is the only way for the state to be able to continue to provide services to its population. In particular, much more focus could go to taxing wealth, rather than income.

Indeed, a shift from financing state revenue by taxing income to taxing wealth (including both immovable and financial assets) would not only reduce the dependency on economic growth; it also would significantly help to achieve social justice. In OECD countries, the inheritances and gifts reported by the wealthiest households (top 20%) are close to 50 times higher than those reported by the poorest households (bottom 20%); households in the top 1 per cent receive as much as 18 per cent of the total amount transferred in Germany and the US, while the share going to the bottom 25 per cent is very low (Nolan et al. 2020, p. 51). Across OECD countries, the value of inheritances and gifts received by households in the top net wealth quintile amounts, on average, to 72 per cent of the mean net wealth across all households; in comparison, this value represents less than 1.5 per cent of the mean net wealth of the total population for those in bottom net wealth quintile (OECD 2018, p. 206). Inherited wealth inequalities have been growing in historical perspective, moreover, the share of inherited wealth has increased in Europe and the US from 30–40 per cent in the 1950–1980 period to 50-60 per cent since 2010 (Alvaredo et al. 2017).

Inheritance thus plays an important role in perpetuating and even reinforcing inequalities. And this goes beyond financial security alone – the stability of the financial situation of parents is associated with higher levels of parental education, better schools, and more engaged parenting, among other factors all likely to affect child development (Heckman and Mosso 2014, p. 31). Moreover, the wealth an individual can mobilise significantly enhances his or her ability to seize opportunities, by investing in education (allowing children from wealthy families to focus on the academic challenges of higher education instead of the financial ones), but also by allowing children to be coopted in lucrative family businesses or to invest in new (including risky) enterprises (Braga et al. 2017).

Wealth inequality is, therefore, a major factor perpetuating poverty (Palomino et al. 2018). One cross-country comparison has shown that parental wealth outperforms income in explaining differences in intergenerational mobility, with strong effects on children's life chances (Smeeding et al. 2011, p. 123). Countries with greater inequality therefore tend to be countries where economic advantage and disadvantage is passed on to children (OECD 2015, p. 27), a relationship between income inequality and intergenerational income mobility often referred to as the Great Gatsby Curve. Among OECD countries, the ties between parental economic status and the adult earnings of their children are the weakest in Denmark, Finland, or Norway, and strongest in Italy, the United Kingdom (UK), or the US – where children raised at the top and bottom deciles are far more likely to occupy the same position as their parents, and such ties linking parents' wealth to children's future earning prospects are even stronger in lower-income countries (Corak 2013, pp. 81–2).

It would therefore be both economically efficient and socially just to finance state services by shifting the tax burden from taxing income or consumption to taxing accumulated wealth. Yet, only 24 out of 37 OECD countries tax inheritance, estate and gifts across generations, and the levies are typically very low, accounting for only 0.5 per cent of total tax revenues on average for the 24 countries concerned (OECD 2021). There are important differences between countries, of course: in the US, only 0.2 per cent of estates are subject to inheritance taxes, and parents may transfer up to $11 million to their children exempt of taxes, while the figures are 48 per cent and $17,000 for the Region of Brussels-Capital in Belgium (OECD 2021). If governments truly want to finance the services they provide to the population, while at the same time increasing social mobility and ensuring true equal opportunities for all, they should start by addressing this.

The dominant narrative that presents growth as indispensable for addressing poverty thus diverts attention from the need to reduce wealth inequalities to the need to ensure a steady increase of total economic output. Another consequence of this narrative is, however, even more problematic – it is that certain forms of growth create the very poverty they are meant to reduce. The following section addresses this paradox.

The counter-productivity of growth

This is the counter-productivity of growth: not only is economic growth not a magic wand that, by miracle, will ensure that poverty will be reduced; it also may become counter-productive in the fight against poverty itself. This paradox, in which economic growth increases poverty, can be broken down in three propositions. First, growth will raise average consumption levels, and thus change the social norm governing what is expected from people in general, in a society in which overall affluence increases. This may lead to new forms of social exclusion. Secondly, in the name of raising the GDP, policy choices will be made that, in fact, will impede the fight against poverty, because of the means through which growth is pursued. Thirdly, growth will worsen the various environmental crises that result from production and consumption patterns, with disproportionate impacts on people in poverty. We explore these propositions in turn.

Social norms of consumption: poverty as social exclusion

It is for a good reason that Eurostat, the statistical office of the European Union (EU), defines the category of people 'at risk of poverty or social exclusion' (or 'AROPE') as including not only people who face severe material and social deprivation (unable to afford the basic necessities of life, and thus living in precarity), but also people who face 'monetary poverty', because they live on incomes that are low *relatively to those of others* (Eurostat 2024a). In the EU, an individual is considered 'at risk of poverty' if her income is below 60 per cent of the median income of the country in which she lives (Eurostat 2024b).

Thus, poverty is not just an *absolute* notion, defined by whether one can afford what is essential to live a decent life – housing, education, healthcare, and food. It is a *relative* notion: one is poor if one's income, in comparison to that of others, is so low as to lead to a sense of shame or exclusion. By introducing an element of social comparison, this statistical choice about how to define people 'at risk of poverty' corresponds to the experience of what it means to be 'poor' in affluent societies. People care not only about *how much they earn* and whether their income increases in line with the evolution of the cost of living, allowing them to acquire what they need to lead a decent life, but also about whether they earn enough *relative to others*. This is at the heart of the rat race that is so characteristic of our competitive society. If people want to be able to avoid social exclusion, they must keep up with changing social expectations about consumption – about how you should dress or which extra-curricular activities you should be able to afford for your child.

The race for more never ends. It is a race, moreover, that is deeply frustrating for all who engage in it – in fact, for all members of society, with the exception of the ascetic. This is not only because, as noted, the signpost signalling the finish line is constantly being shifted further. It is also because as general affluence rises, consumption is increasingly about goods that are valuable because of the social comparison they serve, allowing the individual to signal himself as a full member of society, rather than because of the essential needs they satisfy (Hirsch 1977, p. 36; Brighouse and Swift 2006).

And it is, finally, because the items that one aspires to as productivity improves and as incomes increase, thus making these items more affordable, that they systematically disappoint once they are acquired. Indeed, our brains want not just comfort, but excitement. It is not enough that all our needs be satisfied – we also want the pleasure that comes from moving from one state to another. While accelerating from 20 km/hr to 80 km/hr may provide that pleasure, driving along a highway at the constant speed of 80 km/hr is boring. So it is with consumer items – people crave novelty, and they will not be satisfied simply once all their needs are met (Scitovsky 1992). Indeed, this was how Albert Hirschman explained our tolerance for planned obsolescence – when short lifespans are deliberately built into the products we buy. If we continue to accept to have to change phones every three years and to have to buy a new car every ten years, instead of demanding from producers that they provide goods that are much more resistant and easy to repair, might it not have something to do with the fact that while durable consumer goods with long lifespans provide a certain level of 'comfort', they only offer a single shot of 'pleasure' (Hirschman 1982, pp. 32–8)? The language of toxicology here it not only metaphoric, endocrinologists have recently documented what they describe as a true addiction to what is novel and brings about new forms of excitement (Lustig 2017).

The limits of growth are thus becoming increasingly clear. The long-held belief that the flourishing of each member of society depends on the constant expansion of the possibilities of material consumption is now less plausible than ever (Layard 2005). On the contrary, by increasing social expectations, the rise of overall affluence within a society may in fact increase modern poverty: the sense of exclusion one experiences when it becomes impossible to meet the rising standards of what makes you feel a full member of the community.

Policies for growth: Poverty as a collateral casualty

The paradox of growth as a source of poverty can also be explained by the very tools governments have traditionally been relying upon in order to pursue growth. In 2020, the OECD set up a group of experts to reflect on whether the increase of GDP should continue to guide fiscal and macroeconomic policies, or whether (and how) to take into account other considerations in such policies. The Advisory Group on a New Growth Narrative, as it came to be called, started by acknowledging that '[i]ncome is important, particularly for those whose incomes are low' (OECD 2020, p. 17). They noted, however, that in addition to income levels, a 'wide variety of other factors' will or will not allow for a 'fulfilled and flourishing life' resulting from a higher GDP, and they emphasised that whatever progress is expected from a higher GDP it 'can often be harmed by the ways it is generated – particularly for those on lower incomes and in more precarious work, and where private consumption is prioritised over public goods' (OECD 2020, p. 15).

This constitutes a powerful recognition that how we pursue growth matters. Certain tools used to pursue growth may cancel out, or even reverse, any benefits expected from growth; the quest for growth can become counterproductive, or as Daly put it, 'uneconomic'. Thus for example, trade liberalisation is typically defended on the grounds that it will improve allocative efficiency, and thus contribute to total wealth creation. The EU-Mercosur agreement is thus justified in part by the argument that if the agriculture sector of the EU were 'fully exposed to Mercosur competition, and vice versa in manufacturing, both blocs could see big so-called dynamic gains, i.e. ongoing improvements in productivity and innovation triggered by increased competition and assisted by scale economies', resulting in a 0.02 per cent GDP increase for the EU and a GDP increase for the Mercosur countries estimated at between 0.12 per cent and 0.16 per cent (Baltensperger and Dadush 2019 (based on Diao et al. 2013) pp. 6–7). However, quite apart from whether such estimates are realistic – they typically rely on global computable general equilibrium models, which include a naive assumption that all factors of production will be reallocated and that does not take into account unemployment – while some estimates of the impacts of the EU-Mercosur free trade agreement anticipate higher GDP gains (see, for instance, Estrades 2012), it is striking that the 'GDP increase' argument is silent about who gains and who loses, and about whether the losers will be adequately compensated.

Yet, even if it were true that trade liberalisation may lead to the GDP of the partner countries increasing, it certainly does not follow that it is an unmitigated good. Liberalisation will favour the most competitive sectors, but not less competitive sectors that face competition from abroad.

It will help large corporations, that are better equipped to achieve economies of scale and to control global supply chains, but not small businesses, including family-owned businesses serving local communities. It will work in favour of highly qualified workers in rich countries, but not the least qualified workers in those countries, among whom globalisation has instead caused alarming rates of depression and anxiety, causing even suicide rates to increase and life expectancy to fall (De Schutter 2024b, para. 21). Indeed, even the workers in developing countries who are engaged in the most labour-intensive segments of global supply chains, and who are attractive to global investors because they are paid low wages, only benefit in the short term; in the long term, there is no future in a country that carves out its comparative advantage by keeping its workers poor.

Some countries, of course, have benefited from trade (or, more precisely, the export sector of some countries benefited), when they specialize in the right lines of production – in technologically advanced products protected behind intellectual property rights, in semi-finished goods, or in electronic appliances. Trade however, historically, has been much less beneficial to countries who specialise in the production of raw commodities, in minerals or in agricultural products, or who only maintain their competitiveness on global markets by repressing wages. These countries lose in a model of development that is extractive and exploitative. And it is deeply unsatisfactory to respond that these countries can be compensated by official development assistance (ODA), by ‘aid for trade’, or by concessional lending. Such post hoc compensation is not a substitute for moving towards a multilateral trading system that is more fair, and that does not lock countries into unsustainable forms of development.

Whether or not trade liberalisation is beneficial depends on much more than on whether it increases GDP, theoretically allowing those who gain to compensate the losers. States differ by the stage of development in which they find themselves, and by their position in the international division of labour. Sometimes, when their economy is poorly diversified, the manufacturing industry insufficiently developed, or the overall level of qualification of workers low, opening to trade means remaining locked into an unpromising niche in international trade, with some immediate benefits but limited future prospects. There is a trade-off, moreover, between efficiency driven by the search for competitiveness on the one hand, and resilience on the other hand. Efficiency requires economies of scale, specialisation and uniformity, whereas resilience requires diversity, producing more of what is consumed locally and consuming more of what is produced locally, and reducing dependency on imports to satisfy local needs. The current imperative is to build not only economies that are competitive, but also economies that are resilient to shocks – including climate-related shocks and economic shocks linked, for instance, to a sudden fall of the value of exports or a sudden increase in the price of imports, or to the disruption chains as seen during the Covid-19 pandemic or following the invasion of Ukraine by Russia. None of this is captured by the GDP indicator.

The example of trade liberalisation as a means to create growth merely serves to illustrate a more general point – as long as we focus on GDP increase, we will make the wrong policy choices that will worsen the very problems of social exclusion and inequalities that growth was meant to address. Governments may be tempted, for instance, to seek to attract investors in the extractive industry, by granting ‘tax holidays’ or specific privileges to companies exploiting the subsoil, a tendency which is particularly suspect in the absence of transparency and accountability of the public officials negotiating the agreement – and that is especially damaging where investors' rights are protected by specific provisions of investment treaties or free trade agreements, locking host governments into choices that may not benefit the population (De Schutter et al. 2012).

Yet, while the arrival of investors in the extractive industry can boost total economic output, thus increasing the GDP, it can also worsen inequalities and tensions in the country, a phenomenon that has been documented to such an extent that it is labelled the 'resource curse'. This counterproductivity is largely explained by the very nature of the resources concerned and the means of exploiting them. The exploitation of mineral resources typically takes the form of large-scale projects in which a small number of individuals control vast amounts of wealth. The capture of the benefits can therefore be highly unequal, unless affirmative measures are taken to ensure that they will be fairly distributed across a large number. Moreover, natural resources are non-renewable. They are 'assets in the ground' whose value depends on technology, market prices and political risk. The exploitation of mineral resources thus should be seen as the consumption of capital, rather than only of a stream of incomes (Humphreys et al. 2008, p. 7). The temptation is huge for those in power both to exploit those resources in order to create as much wealth as possible within the shortest possible time (for they do not know for how long they will stay in power), and to sell off the right to exploit resources to the highest bidder (in order to cash in immediately the equivalent of all future income streams that could result from exploiting the resource), sometimes with scant attention being paid to the long-term impacts or to the interests of the local communities.

Many other examples could be given, from the flexibilisation of labour to tax reforms aimed at attracting investment, and the removal of regulatory requirements aimed at protecting the environment, to giving the priority to servicing the public debt above investing in health and education in order to maintain the country's reputation as a reliable borrower on financial markets. All these measures are presented as aiming at stimulating growth. Yet, they are not necessarily conducive to the realisation of economic and social rights. While, in theory, the increase of total economic output could facilitate such realisation, by increasing the fiscal space available, policy reforms that aim at increasing the GDP without being specifically geared towards the progressive realisation of human rights may have the exact opposite effect.

Environmental impacts of growth: Poverty as environmental destruction

The third reason why growth can undermine efforts aimed at the reduction of poverty is because growth cannot be decoupled from environmental impacts. In 2019, a systemic review concluded that 'there is no empirical evidence supporting the existence of [...] an absolute, global, permanent, and sufficiently fast and large decoupling of environmental pressures (both resources and impacts) from economic growth' (Parrique et al. 2019, p. 31). Indeed, absolute decoupling is not even occurring at the speed required in the limited area of greenhouse gas (GHG) emissions, which is only one of the nine planetary boundaries within which we need to remain for Earth stability and life support conducive to human welfare and societal development (Richardson et al. 2023). A review of the performance of 36 OECD jurisdictions during the period 2013–2019 (Vogel and Hickel 2023) concluded that while 11 countries have managed to achieve absolute decoupling between GDP increases and GHG emissions during that period, the speed at which this is taking place will not suffice without the carbon budget resulting from the 2015 Paris Agreement taking into account equity considerations. Based on their decoupling achievements during the period considered, the 11 jurisdictions having achieved absolute decoupling of GHG emissions from GDP growth would require 223 years on average to reduce their respective 2022 emissions by 95 per cent, by the end of which period they would have burned, on average, 27 times their respective remaining post-2022 national fair-shares of the global carbon budget (if we are to remain below the 1.5°C in global heating) in the process (Vogel and Hickel 2023).

This confirms the conclusions of the *Sixth Assessment Report* presented in 2022 by the Intergovernmental Panel on Climate Change (IPCC). The IPCC noted that while 23 countries (representing 20% of a total sample of 116 countries) have decoupled consumption-based emissions (CBEs) from GDP during the period 2015–2018, through a combination of outsourcing carbon-intensive production and improvements in production efficiency and energy mix, such decoupling is often short-lived, and it has mostly occurred in countries (mainly from the EU and Northern America) with high per capita GDP and high per capita CO_2 emissions. Another 67 (58%) countries, including China and India, have relatively decoupled GDP and CBEs between 2015 and 2018, reflecting a slower growth in emissions than GDP. A further 19 (16%) countries, including South Africa and Nepal, have experienced no decoupling between GDP and CBEs from 2015 to 2018. In these countries, a further increase of GDP will likely lead to higher emissions, if they follow the historical trend without substantive improvement in efficiency of production and energy use. And the IPCC warns that:

> although absolute decoupling has reduced annual emissions [in one fifth of the sample of 116 countries], the remaining emissions are still contributing to an increase in atmospheric carbon concentration. Absolute decoupling is not sufficient to avoid consuming the remaining CO_2 emission budget under the global warming limit of 1.5°C or 2°C and to avoid climate breakdown. (Dhakal et al. 2023, para. 2.3.3)

Thus, while decarbonisation of economies is occurring, it is mostly limited to high-income countries that already have a high level of GHG emissions per capita, and it is certainly not occurring at the speed required. Similar instances of absolute decoupling are not occurring, however, with regard to the other major ecological crises, such as biodiversity loss and resource use. Green growth is not happening.

People in poverty are the most immediately and the most seriously affected by environmental degradation. It is they, therefore, that will lose the most if we continue to entertain the myth of 'green growth' as a pretext to delay bolder action to slow down the metabolism of the economy. As noted in a 2022 World Bank report, this is particularly the case for climate change:

> Climate change can deepen monetary poverty through its impact on agricultural yields, food prices, health, labor productivity, and other factors ... Higher vulnerability of people in or close to poverty is sometimes linked to higher exposure to risk – for example,

> through dependency on agricultural income or low-quality housing. But it can also be linked to a lower ability to prepare and respond, due to a lack of savings and access to borrowing, remittances, social protection, insurance, and other support systems, and a lack of voice in decision making. (World Bank 2022, p. 12)

Climate disruptions are not, however, the only threats linked to environmental degradation that will disproportionately affect people in poverty. People in poverty are also the first victims of air pollution, because they generally live closer to the sources of pollution (Lucas et al. 2004) and because they live in small, overcrowded dwellings that are more difficult to ventilate properly (Service for the fight against poverty, precarity and social exclusion 2019, p. 13). They are the most at risk from landslides or flooding, because they are forced to live wherever they can afford housing (Bullard et al. 2007; Schweitzer and Zhou 2010). As recalled by the Chennai Guidance for the integration of biodiversity and poverty eradication, elaborated under the framework of the 1992 Convention on Biological Diversity, they are also more dependent on ecosystems for their livelihoods (Suich et al. 2015). Globally, 1.2 billion jobs (40% of total world employment), most of which are in Africa, Asia and the Pacific, rely directly on the effective management and sustainability of a healthy environment (ILO 2018, p. 7). People in poverty, including the 476 million indigenous peoples (ILO 2017) are, therefore, the most affected by climate disruptions (Alston 2019). How credible, then, are poverty eradication strategies that destroy the very foundations of the livelihoods of people in poverty, albeit in the name of creating wealth?

The degrowth approach to poverty reduction

Thus, the search for growth as a means to eradicate poverty is misguided. It is, at best, an unnecessary distraction; at worst, it can become counterproductive: in rich countries, growth as a means to address poverty has passed its sell-by date. The alternative pathway is to focus on reducing income and wealth inequalities, by combining tax reform towards increased progressivity and, as already noted, a shift from income and consumption taxes to wealth taxes, and wage reform. And it is to redirect production towards satisfying needs, and towards the full realisation of economic and social rights, rather than allowing resource use to be guided by demand. The two reforms are inter-related and mutually supportive.

Reducing inequalities: wages reform

While tax reform has been addressed already, the reduction of income inequalities by reforming wages deserves further comment. Under human rights law, workers have a right to 'fair wages', as stipulated under article 7(a) of the International Covenant on Economic, Social and Cultural Rights. According to the Committee on Economic, Social and Cultural Rights (CESCR), this means that wages should reflect:

> not only the output of the work but also the responsibilities of the worker, the level of skill and education required to perform the work, the impact of the work on the health and safety of the worker, specific hardships related to the work and the impact on the worker's personal and family life. (CESCR 2016, para. 10).

In practice however, the levels of wages are the result of bargaining processes between workers and employers, in which the position of workers, especially with low levels of qualification and whose jobs can be easily outsourced, has been significantly weakened since the 1980s. This is the result of the number of factors, including globalisation and automation of work.

There is another and more fundamental problem. Wages are broadly aligned with how the ‘productivity’ of the worker is assessed or, in a variation on the same idea, with what the end purchaser of the good or service provided will pay. The most important contributions of work to overall well-being, however, are not necessarily in the added monetary value it creates. Unpaid care workers in particular, but also workers performing essential functions on which society depends, are typically underpaid, because their contributions are insufficiently valued, and because the services they provide have the nature of a public good, for which the beneficiaries are unwilling or unable to pay. These workers moreover provide services that serve communities, including people living in poverty, who cannot afford to pay for such services. As a result of how work is currently valued in the labour market, the more the work serves the needs of the poor, the least well it will be remunerated.

The low remuneration of workers providing care can also be attributed to the fact that many of their tasks were traditionally performed by women within households and communities, without remuneration; even once these tasks were paid for, the wages were set at a low level, reflecting such a lack of recognition of the value to society of the work of reproduction (as contrasted with production) (Palier 2020). For instance, the activities of domestic workers, such as cooking, cleaning, washing and caregiving, are undervalued both because they are oftentimes considered ‘unproductive’ (ILO 2016, p. 5) and because they have traditionally been assumed by women – whereas they are a valuable and necessary labour which the functioning of communities and entire economies depend on (Bamu-Chipunza 2018).

In a post-growth world, in which well-being is prioritised above GDP increase, this should be changed. In order to be ‘fair’, the remuneration should reflect not only the economic value created by the worker, but also the contribution to society of the work performed (Bueno 2022, p. 366; Dermine and Dumont 2022, p. 267). Prospective workers otherwise will seek the kind of training, and workers provide the goods and services, that will serve not the needs of the community, and particularly those of low-income groups, but those of the most affluent only. Thus, instead of designing schemes to help people in poverty, economists will become traders; instead of producing food for the community, farmers will produce cash crops for which there is a demand on the high-value markets of rich countries; instead of building low-cost social housing, architects will aim at building mansions for the ultra-rich; and so on. The result is not only that the incentives are distorted against serving the needs of the poorest groups within society, and that an enormous human potential is wasted while it could serve societal needs. It is also that, as goods or services for these groups are undersupplied, their prices may increase, resulting in an artificial scarcity.

To remedy this, work that is of higher societal value should be better remunerated. In a study on the jobs that the COVID-19 pandemic showed to be ‘essential’, the ILO found that ‘essential workers’ earn, on average, 26 per cent less than other workers, and that only two-thirds of the gap could be explained by differences in education and experience (ILO 2023, p. 62). In other terms, the workers providing the most vital services to society, in areas such as food production and retail, healthcare, cleaning and sanitation, or transport, are underpaid.

To combat this trend, states could draw up a list of goods and services the provision of which is essential and of high societal value, and ensure that the workers involved in such provision are paid fair wages (beyond the minimum wage allowing the meet basic needs). They could also, conversely, draw up a list of professions that are currently highly paid despite their negative externalities (such as those of traders encouraging speculation on financial markets, workers involved in the extraction of fossil energy, in pesticides production, in plastic production, or in the tobacco industry, or workers of the advertising industry) and cap high remunerations in those sectors. In order for these mandates to be economically viable in the private for-profit sector, tax incentives and subsidies could be provided, compensating for the increased costs of labour in the sectors that society seeks to support, while at the same time higher income taxes would penalise the excessively high remuneration of professions causing high negative externalities.

A human rights economy

The main reason to combat inequalities is because, as long as strong inequalities persist, the most affluent groups of society will be able to command resources that, as a result, are not available to meet the basic needs of people in poverty. The more the production system is guided by demand, and the more income differentials are allowed to persist, the more resources will be diverted to satisfying the desires of the rich, rather than the needs of the poor. The economy thus is less efficient in meeting those needs if it tolerates high levels of inequality.

There are other reasons to make the reduction of inequalities a priority in the search for a post-growth model of development. A second argument in favour of such prioritisation is that the accumulation of wealth within a narrow elite has significant impacts, particularly on greenhouse emissions, due to the investment choices of most wealthiest groups. Whereas the top 1 per cent of the world's population has been responsible for 23 per cent of the total increase in emissions since 1990 (while the bottom 50% of the world population has been responsible for only 16% of all emissions growth), the bulk of the emissions from the richest result from their investments rather than from their consumption (Chancel 2022).

Third, reducing inequalities would put a brake on the most unsustainable lifestyles, that only the richest segments of the population, located mostly in rich countries, can afford. Globally, the wealthiest 10 per cent of the world's population (two-thirds of whom live in high-income regions) contribute about 36–45 per cent of global GHG emissions, while the lifestyle consumption emissions of the middle-income and poorest citizens in emerging economies are between 5 and 50 times below their counterparts in high-income countries (Dhakal et al. 2023, paras. 2.6.1 and 2.6.2). It is not just the wealth of the elite that is the problem, due to the kind of consumption patterns its allows, but inequality itself, since inequality encourages status competition through material consumption. Indeed, beyond the threshold of basic needs that human rights define as entitlements, we 'want' material things not because of the comfort they provide, but for the message we send to those around us: unequal societies fuel a permanent race for status through consumption (De Schutter et al. 2023). By contrast, in more equal societies, or in societies in which social positioning can be signalled by means other than consumption, the growth needed to feed the work-spend-consume cycle becomes less necessary (Wilkinson and Pickett 2009, p. 226).

Fourth and finally, income and wealth inequalities have political consequences. Economic dominance is easily converted into political influence, allowing the richest groups of the population and the most powerful economic actors to veto any change that might challenge the status quo they benefit from (Gilens 2012; Roncaglia 2024). In more unequal societies moreover, civic engagement is generally lower, and differentials in access to information and power discourage people in poverty from mobilising – although they are the ones most affected by the lack of action on issues such as air and water pollution, against which they cannot protect themselves (Boyce 2018, 2019).

Thus, inequalities lead to a vicious cycle. They lead to a financialisaton of the economy that is a major source of increased GHG emissions, and they stimulate the adoption of consumption patterns by the rich (larger houses, more powerful cars, exotic trips), who compete against marginalised communities and low-income households for the use of scarce resources. These latter communities and households are priced out from this auctioning process, and they may ultimately be unable to satisfy their needs, even where resources would otherwise be sufficient to ensure decent standards of living for all. The lifestyles of the rich, driven by status competition and conspicuous consumption, fuel the consumption-driven model of our current global economic system, which relies on the ever-increasing production and purchase of consumer goods to sustain economic growth. Such lifestyles are entirely incompatible with the need to reduce environmental pressures. Yet, their control of assets allows powerful economic actors, who thrive on the status quo, to veto any significant reform that might threaten their dominant position.

Conclusion

The Pact for the Future adopted on 22 September 2024 reaffirms the need to 'urgently develop measures of progress on sustainable development that complement or go beyond gross domestic product' (UN 2024, p. 34). Indicators alone, however, while useful, remain insufficient. What matters is the reorientation of the economy, of our ways of producing and consuming.

This, indeed, is what a human rights economy would look like: one that values what counts, not simply by adopting a new set of well-being indicators that go 'beyond GDP', as many countries are already doing, but also by rewarding work that is socially useful, and more generally, by investing in the satisfaction of basic needs – not in the maximisation of profits for the benefit of the few. In rich countries, the correlation has been lost between economic growth and the eradication of poverty. Where the economy is already obese, it needs not to put on additional weight, but instead to strengthen its resilience where it matters, and to trim down wherever possible. It is thus conceived – as a democratically driven, conscious choice to focus efforts on satisfying needs corresponding to economic and social rights – that degrowth can serve the cause of poverty alleviation.

The roadmap towards such an objective includes strengthening the social and solidary economy, identifying new sources of financing for State services that do not depend on growth, better valuing care work and better aligning wages with the social utility of work (De Schutter 2024a). The overall objective is to expand the toolbox of governments in the fight against poverty. This should allow a move beyond a grow-tax-transfer approach to poverty reduction (the dominant post-market model to combating poverty), to focus more on pre-market measures (including investing in early childhood education and care) and on market reforms (to make markets more inclusive). Human rights can provide a guide.

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