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## Article

## Editorial to the special issue

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## Editorial to the special issue

### De-growth, zero growth and/or green growth? Macroeconomic implications of ecological constraints

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Environmental constraints and issues of climate change have become increasingly relevant, and for post-Keynesian macroeconomics as well. Broad links and commonalities between post-Keynesian economics and ecological economics have been explored for more than a decade. However, only recently have we seen a number of contributions on the macroeconomics of ecological constraints and the integration of ecological issues into post-Keynesian macroeconomic models. Furthermore, some ecological economists have appreciated the usefulness of post-Keynesian stock–flow consistent modelling in the debate on growth imperatives of a monetary production economy and for simulation of green, zero or de-growth trajectories. The papers in this special issue contribute to these lines of research.

In the opening paper on ‘Growth in the ecological transition: green, zero or de-growth?’, Jan Prieue provides a comprehensive outline of the major issues at stake. He discusses the ongoing transition to climate neutrality in 2050, with a focus on the options of green growth, zero growth or de-growth. First, the stylised facts about the greenhouse effect and the status quo are shown, with special attention to emerging economies as key contributors to greenhouse gas emissions since 1990. Second, different scenarios of the global transition with different combinations of GDP growth and reduction rates of the emissions–GDP ratio show that the reduction of the emissions–GDP ratio is more important than growth. Zero growth *per se* is not necessarily effective in reaching the Paris goals. Third, as a policy orientation, low green growth or even zero growth in the Global North and moderate green growth in the Global South are recommended.

The following three papers then address basic macroeconomic issues of zero or very low growth. Eckhard Hein and Valeria Jimenez in ‘The macroeconomic implications of zero growth: a post-Keynesian approach’ explore the consistency of stable zero growth with positive profits and a positive real interest rate. They start from an accounting perspective, provide a monetary circuit approach and finally a Kaleckian distribution and growth model driven by autonomous government expenditures. They show that a stable stationary state with zero growth, positive profits, a positive interest rate, and constant debt–income ratios of each macroeconomic sector is possible. However, the stable adjustment towards such an equilibrium requires specific maxima for the propensity to consume out

of wealth and for the rate of interest, as well as a balanced government budget and zero retained earnings of the firm sector.

Anja Janischewski in 'Inequality, non-linear consumption behaviour, and monetary growth imperatives' analyses the conditions under which a zero-growth economy can be accompanied by a reduction in wealth inequality. She uses a stock–flow consistent macro-economic model, which includes multiple households with heterogeneous wealth levels and a non-linear, concave consumption function. The results show an example of theoretical conditions under which wealth inequality is reduced in a zero-growth economy. However, the conditions for stability of the zero-growth trajectory are found to be more restrictive in the case of a non-linear consumption function compared to the linear case.

'Would a zero-growth economy be achievable and be sustainable?' is the question addressed by Giuseppe Fontana and Malcolm Sawyer. They touch upon a range of issues which would have to be resolved if a zero-growth economy is to be achieved and sustained. The first concerns the routes through which net investment would be constrained to zero. The second relates to the issue of whether the rate of profit would go to zero in a zero-growth economy, and hence the question of whether zero growth is compatible with capitalism. The third relates to the nature of the banking system (and any related monetary growth imperative) and the implications of sustained zero/negative growth for the rates of interest. Finally, they ask whether there would be forces that generate 'full employment' in a stationary economy with productivity growth.

Employment issues are also touched upon in 'The role of labor in a socio-ecological transition: combining post-Keynesian and ecological economics perspectives' by Birte Strunk, Stefan Ederer and Armon Rezai. The authors investigate the role of labour in post-Keynesian economics and propose an integration with ecological macroeconomics. While post-Keynesians have traditionally focused on targeting employment via targeting aggregate goods demand, the paper complements this demand-side view with post-Keynesian perspectives on labour supply. It thus provides some entry points for the inclusion of ecological concerns.

The following two papers also shed some light on the integration of supply-side issues into ecological macroeconomics. In 'Buying into inequality: a macroeconomic analysis linking accelerated obsolescence, interpersonal inequality, and potential for degrowth', Antoine Monserand establishes a theoretical link between accelerated obsolescence and interpersonal inequality of income and wealth. In a simple stock–flow consistent macro-economic model, he shows that the economic consequences of fast obsolescence remain negative. In line with the degrowth paradigm, he claims that slowing down obsolescence may be sensible, both socioeconomically and environmentally.

Steffen Lange, in 'Economics of digital decoupling: a pluralistic analysis', starts from the observation that digitalisation so far has neither led to strong economic growth nor to substantial improvements for environmental sustainability. To explain this, he combines insights from neoclassical, ecological economics, post-Keynesian and neo-Marxian perspectives. He finds that the limited effect of digitalisation on economic growth is due to its negative effect on aggregate demand, primarily via increasing inequality. The inability of digitalisation to improve environmental sustainability is explained by a combination of distorted relative prices of inputs, missing government investments, and the high environmental footprint of the information and communication technologies sector. He concludes that it is unclear whether policies to improve the environmental effect of digitalisation foster or dampen economic growth.

In the final paper, on 'Transformation of capitalism to enforce ecologically sustainable GDP growth: lessons from Keynes and Schumpeter', Hansjörg Herr argues that an economy with a low stable medium-term growth rate given by ecological constraints requires radical

reforms of current capitalism. Most important is the control of investment, and a national credit plan is proposed for this, which fixes the national credit volume. For consumption, policies of a more equal distribution of income and wealth are considered to be suitable. Herr argues that, although comprehensive government interventions and rules are needed in an ecologically low-growth economy, the recommended system is not comparable with a planned system of the former Soviet type. Whether such an alternative system is understood as a version of highly regulated capitalism or as a new system is considered a matter of taste.

With only one exception, draft versions of the papers in this special issue were presented and discussed at an online workshop on 'De-growth, zero growth and/or green growth? Macroeconomic implications of ecological constraints', on 23–24 September 2021, which was hosted by the Institute for International Political Economy (IPE), together with the Forum for Macroeconomics and Macroeconomic Policies (FMM) and the *European Journal of Economics and Economic Policies: Intervention (EJEEP)*. Some papers in this issue were also presented at the 25th FMM Conference, on 28–30 October 2021, in Berlin. After the IPE/FMM/EJEEP workshop, the papers were submitted, reviewed and revised. As the hosts of the workshop and the editors of this special issue, we are most grateful to our contributors and reviewers for their excellent and effective cooperation.