

‘Expand or die’

The historical foundations of the economic growth paradigm

‘Economic growth’ is widely regarded as a key goal of national and international economic policy, not only across the political spectrum but also in all countries. Growth statistics appear on the front pages of newspapers, play a key role in economic analyses, and pervade political debates. The recent global economic crisis has conspicuously demonstrated how dependent contemporary economies are on growth and how even minor reductions of GDP are received with almost religious disappointment. The priority attached to growth has played a key role in modern history. Environmental historian John R. McNeill has aptly described it as the most important idea of the twentieth century. Yet, how did the pursuit of economic growth become the essential goal of economic policy-making and a key priority taken for granted among social scientists, politicians, and the general public? This paper takes up this question, which has largely been ignored in historical scholarship, through a transnational historical analysis of economic and policy-making expertise within the Organization for Economic Co-operation and Development (OECD). Quintessentially, the paper argues that the ideal of growth and its underlying expertise are neither neutral analytical categories nor can they be taken for granted as having always already been there. Rather, the notion that the pursuit of GDP-growth should be a key societal goal and the techniques of measuring, modeling, and prescribing growth have emerged historically speaking quite recently and have identifiable and contested histories of their own.

In light of current debates and research, which question the desirability or possibility of further quantitative growth in industrialized countries, the pervasiveness of GDP as a measure of social well-being and of growth as a policy goal seem rather peculiar – a “puzzle” in need of explanation. Broadening Kuhn’s original conception, the term ‘growth paradigm’ is used to describe a specific ensemble of societal, political, and academic discourses, theories, and statistical standards that jointly assert and justify the view that GDP growth is desirable, imperative, and essentially limitless. The growth paradigm was not a monolithic or unified set of discourses, and its emergence

was not a linear and irreversible development. Rather, it was continuously renegotiated and remade in an open and contingent process characterized by historical ruptures, competing theories, and counter-currents, in which the growth paradigm proved remarkably flexible in adapting to changing circumstances, integrating newly emerging problems and perspectives without changing its basic tenets. Four discourses that reinforced the growth paradigm are specifically highlighted. These assumed that GDP, with all its inscribed reductions, assumptions, and exclusions, adequately measures economic activity; that growth was a panacea for a multitude of (often changing) socio-economic challenges; that growth was essentially unlimited, provided the correct governmental and inter-governmental policies were pursued; and that growth was practically the same as or a necessary means to achieve essential societal goals such as progress, well-being, or national power.

The paper starts by situating this process within longer-term developments by sketching three steps: Firstly, with the onset of intensified capitalist industrialization in the early eighteenth century, a secularized conception of economic progress and a first generation of classical growth theories emerged, which, however, fell into oblivion with the rise of econometrics and neoclassical economics in the later nineteenth century. Secondly, building on statistical developments in the early twentieth century, it was only in the context of the Great Depression that a renewed interest in macro-economic questions gave rise to the modern conception of 'the economy' and to interventionist economic policies geared towards stability and employment. Thirdly, it was not before the early 1950s, however, that in the context postwar reconstruction and Cold War competition economic expansion became a key policy goal throughout the world, statistically defined in a uniform way, and that the economic growth paradigm reached its contemporary full-blown shape.

In a next step, the paper reconstructs the making and international standardization of national income accounting in the late 1940s and early 1950s and analyzes how GDP came to form the statistical basis for the growth paradigm. It argues that most of the controversies that are currently waged about GDP can actually be traced back to this period. Not only were early income statisticians extremely cautious regarding the universality and the ability of their frameworks to measure welfare and make meaningful comparisons over time and space, but they were engaged in quite fundamental controversies about how to define economic output, whether to include

non-monetary housework, and about the explanatory power of these numbers. Accordingly, different countries measured income in divergent ways, some of which for example included domestic work or emphasized quantities in addition to monetary values. Yet governments and international organizations such as the OEEC, which acutely required comparative statistics to manage member country contributions and international aid flows, cut short these disputes among academics and deliberately homogenized and streamlined existing approaches by standardizing a particular version of GDP accounting. It was a small network of predominantly American and British statisticians that established within the OEEC the first international standard for measuring 'the economy,' which was then adopted – against many resistances – by OEEC member countries and subsequently globalized through the UN. Thus, rather than building on a scientific consensus and statistical knowledge, it was the political usefulness of market-oriented income data that proved decisive in turning GDP into a universal yardstick.

Based on these numbers and driven by international competition and Cold War rivalry, it was only in the 1950s that growthmanship became a seemingly inevitable vocation among Western policy-makers – “expand or die” was the key slogan that shaped debates within the OEEC. The anxiety about high Soviet growth rates, Khrushchev’s growth plans, and the Soviet economic offensive in the decolonizing global South moved the issue of boosting growth to the top of the agenda of Western policy-makers. International organizations and in particular the comparative data on growth rates they had started to publicize in the 1950s played a key role in the construction of the competitive normative epistemology of growth rates that underpinned what contemporaries aptly described as “competitive targetry” – the setting of the bold numerical growth targets in the early 1960s by numerous national governments such as France, India, Japan, the Soviet Union, Sweden, Yugoslavia, or the United Kingdom. The debates around these growth targets not only symptomatically encapsulate the Western response to the Soviet economic challenge, but also provide a striking demonstration of how the growth paradigm was reinforced by a set of powerful assumptions about the relation between GDP and power, progress, and prosperity.

The growth paradigm, so the argument in the paper, was reinforced by the belief that economic growth was practically the same as or a necessary means of achieving some

of the most essential ambitions of societies such as social well-being, progress, modernity, societal dynamism, national power, or prestige. Steady growth and the prospect of ever increasing consumption helped resurrect the belief in progress, which had been so seriously eroded by the Great Depression, two World Wars, and the Shoah. The technical, scientific, and politically neutral aura of growthmanship, which was underwritten by an array of tools for measuring, counting, predicting, and managing growth, could easily be contrasted to what had come to be seen as the irrational management of states in the 1930s, to nationalistic and imperial rivalries, and to the ideology of fascism. Yet despite this technocratic appeal, during the 1950s and culminating in the 1960s the idea of 'economic growth' became charged with multifaceted meanings, suffused with arresting symbolisms, and imbued with ardent assumptions. These associations, which generally underlay policy debates on economic growth but were largely implicit and assumed, became so close that key societal objectives were to a considerable degree reduced to or identified with economic growth itself. If one wanted to assess the status of a country with regard to one of these objectives, it became common to take GDP, recent growth rates, or growth prospects as the most basic point of reference. Not only in governmental and intergovernmental documents on the general state of a country or region, on its power, progress, or prosperity, but also in newspaper articles, within economics, or increasingly in other social sciences such as sociology or history, GDP growth became an overall barometer of the state of the economy. Spurred by the publication of the first 'league tables' by the OEEC in the late 1950s, it was this process that finally lifted the extent or expansion of the monetary value of the market economy, measured as GDP, to the status of a powerful benchmark employed to assess success or failure of government policies, but also to symbolically determine the relative status of countries and power blocs within the international arena. At the same time, these associations have clouded the real relationships between GDP-growth and progress, well-being, or modernity into something that is not discussed. Since growth was deemed inherently good, there could of course never be enough.