Core Statement

Continuous growth is seen as the benchmark for any successful economic policy and is therefore the most urgent objective for any government that wants to stay in office. While politicians, interest groups and think-tanks fiercely debate the conditions under which this goal can be achieved most effectively, there is hardly any dispute about the necessity to meet it. The reason for this is very simple: Without economic growth unemployment rises, social security systems are not sustainable and funding education and research becomes difficult.

A common interpretation of „continuous growth" is an increase in the gross domestic product (GDP) by the same percentage each year, for example 3 %, taking into account the annual rate of inflation. The GDP is the sum of all goods and services produced in a country during one year. Obviously 3 % of 1000 billion Euros (the GDP from 1973 in prices of 1995) is only half as much as 3% of 2000 billion Euros (estimated GDP for 2004 in prices of 1995), however.

The stronger a national economy is, the higher the real growth has to be to get the same percentage increase. If diagrammed, this exponential growth is not a straight line but a steepening curve. Hence it is not sufficient to have the same real increase in GDP each year, but the increase itself must grow annually. Achieving this „growing growth" may be more difficult than it at first seems: With an increase of 3% annually today's GDP would double in 25 years, in 50 years it would quadruple and after 75 years it would be eight times today's GDP.

Because in the past a continuous growth has occurred, one might argue that then is nothing to say it won't continue in the future. What could be achieved yesterday will be possible tomorrow- such a view is wrong in two ways. First, this implies that it would be sufficient to repeat the successes of the past. Constant percentage growth rates can only be achieved if real growth is constantly higher than in the year before, however. The successes of the past must not only be repeated, they must be out done. One record would have to follow another. Above that the basis of this assumption - what was possible yesterday, will be possible tomorrow- is in itself incorrect.

Was it really possible? A simple look at the database of the federal office of statistics is enough to check this. Something that politicians, journalists and economic scientists obviously don't take the time to do. This might explain how a fact so simple can remain unknown to the public. There never was exponential economic growth in the Federal Republic of Germany. Contradicting all economic assumption, the economy of the Federal Republic showed only linear growth around 300 billion Euros (prices of 1995) each decade. Since 1950 the GDP has grown not along a curve, but along a line so straight, that one could have calculated the growth of 1990 merely by further projecting the growth between 1950 and 1960. Since the mid 70s there has correspondingly been an at first small but rapidly growing gap between real linear growth and the anticipated exponential growth. The size of the problem facing the German economy is shown by that gap the consequences of which are mass unemployment, decreasing inland revenue, rising deficit and an underfunded social security system. However, this is not a problem faced by Germany alone, but rather one affecting most industrialised nations. Therefore the Institut für Wachstumsstudien has made it our goal to evaluate and demonstrate these interrelations. The institute furthermore engages itself with the question of how this affects a policy which strives to create the ideal conditions for exponential growth; a goal that was already proven unattainable in the past. Finally taking into account the gravity and uniqueness of the problem the institute would like to start a discussion as to how a stable economy could be reached without exponential growth.