

## Another Viewpoint

# To Grow, or Not to Grow, That Is the Question for Puerto Rico's Economy

By MARIA A. JUNCOS-GAUTIER

**“W**e are now living one of the worst financial, economic and social crises in post-war history. [...] Those attempting to guide the economy are like pilots steering a course without a reliable compass. The decisions we make depend on what we measure, how we do our measurements, and how we interpret them. We are almost ‘flying blind’ when the metrics on which action is based are ill-designed [...]”

This excerpt from the Report of the Commission on the Measurement of Economic Performance and Social Progress (2009), also known as the Stiglitz-Sen-Fitoussi Commission, is a good starting point for discussing Puerto Rico's economic crisis. The mostly unacknowledged root cause is the ill-designed metrics of the capitalist growth doctrine widely used to measure “progress” since the 1940s. Governments blindly follow the dogma that the formula for prosperity is constant economic growth, which is monitored through shortsighted unsustainable indicators -- e.g., cement sales, gasoline consumption, electric power generation -- and the gross domestic product (GDP), the monetary barometer for the market value of economic production. GDP's inability to assess well being has been well documented.

The \$70 billion of unpayable debt that is ruining Puerto Rico's government was acquired in recent decades to sustain economic growth at all costs. The painful, enforced degrowth process Puerto Rico is now experiencing is a clear sign of an urgent need to shift its yardstick for progress. A steady-state economy for sustainable development with sensible welfare indicators, as proposed by forward-thinking economists and scientists, is the most promising option, particularly for a small Caribbean island with obvious biophysical limitations and climate change adaptation challenges.

Puerto Rico's triple tax-free bonds, while attractive to investors, provided an easy way for the government to artificially stimulate economic growth through borrowing. It was irresponsible, Ponzi-style growth that ultimately reached a peak. While also a symptom of bad governance, in addition to political status issues, my focus here is on the ingrained growthism. Debt money creation via bonds with compounded interest rates forces governments like Puerto Rico's to chase this reckless short-term growthism scheme that usually leads to the vicious cycle of more borrowing.

Public debt is not the only thing in an overshoot phase; Puerto Rico's ecological footprint is also well beyond sustainability due to the sociopathic quest for growth disconnected from biophysical realities. According to the Global Footprint Network, there are approximately 4.2 acres (1.7 hectares) of bioproductive land for every human being on the planet. Dr. Fernando Abruña, a renowned Puerto Rican architect and educator, posits that Puerto Rico uses approximately 22.2 acres (9 hectares) per person to maintain the consumption patterns of developed countries, as an incorporated territory of the United States. This is true in spite of the island's alarming 45 percent poverty rate, a paradox that highlights the

unjust distribution of resources and also points to a significant informal economy.

To grow or not to grow, that is the question. First, we have to understand that “growth for the sake of growth is the ideology of a cancer cell” as Edward Abbey, an American environmentalist, proclaimed. Growth relates to purely quantitative measures, while progress relates to improvement in qualitative standards. By relating progress to economic growth we are severely limiting what is important to attain truthful welfare. In fact, a recession should not be defined by lack of economic growth but rather by increases in poverty, inequality, environmental deterioration, corruption and crime, as well as by deficiencies in food security, health and educational services. Puerto Rico is facing whopping challenges on all these fronts! This leads one to wonder where the \$70 billion borrowed went to.

Degrowth can be planned and positive or unplanned and undesirable. An undesirable degrowth period can be understood as a negative self-correcting feedback loop of an overloaded system in which a “stimulus” causes an opposite “output” in order to maintain balance. In Puerto Rico, the stimulus that triggered the undesirable degrowth chain of events -- a significant reduction in economic activities, a decline in population due to a migration wave and a substantial reduction in public services -- was reaching the tipping point of unpayable debt. Unfortunately, the island's degrowth process is not a planned “right-sizing” transition toward a more sustainable future. Nevertheless, it can become an opportunity for a more promising future by leading to a steady-state economy.

A steady-state economy values and measures positive qualitative changes in welfare. Ecological economist Tim Jackson defines it as prosperity without growth. Its main features are sustainable scale, fair distribution and efficient allocation, as described by Herman Daly and Joshua Farley, also ecological economists. Sustainable scale entails an equitable downscaling of production and consumption to achieve a steady-state economic throughput, living within the planet's biophysical limits, and a stable population. Fair distribution aims at policy advances geared toward fulfilling basic human needs, reducing inequality, securing access to good affordable education and full employment, increasing community conviviality, improving individual and collective health, and ensuring participatory democracy, among other sustainable development objectives. After sustainable scale and fair distribution are addressed, efficient allocation and real welfare can be attained. This also means replacing GDP with a more appropriate accounting metric. Robert Costanza, another ecological economist, recommends a quality of life index (QLI).

Crises are opportunities for adopting alternative ways of doing things. Puerto Rico, a microcosm of other parts of the world, needs a new economic discourse and metrics of progress for the realities of the 21st century. Climate change is one result of the growth fetishism of recent decades, which demonstrates the diminishing socioecological returns it pro-

vides. Nevertheless, the same old discourse of the need to generate economic growth is repeated like a broken record by conventional economists. Kenneth E. Boulding, a non-conventional economist, said that those who believe that indefinite growth can go on forever on a finite planet are either mad men or economists. I agree. My recommendations are to recognize degrowth as evidence of the urgent need for change, focus on strategies to stabilize the economy -- including restructuring the island's debt -- and then strive for a steady-state economy for a sustainable future.

*María A. Juncos-Gautier is a doctoral student at York University's Faculty of Environmental Studies in Toronto, and holds a master's degree in environmental management (MSEM). Her research interests are in ecological economics, system thinking and urban sustainability, especially locally based and small-scale economic systems in small island development states (SIDS). Since 2002, María has worked as the director of the Center for Sustainable Development Studies (CSDS), a division of the School of Environmental Affairs at Universidad Metropolitana (UMET) in San Juan. She can be contacted at mjuncos@suagm.edu.*

## The San Juan Star

PO BOX 6537 Caguas PR 00726

Or e-mail us at:

sjstar.letters@gmail.com

Telephones: (787) 743-3346 • (787) 743-6537  
(787) 743-5606 • Fax (787) 743-5100

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