



From Limits to Growth to Unlimited Wellbeing: A Revolutionary's Vision of Wealth and Welfare

Editors' Note: In remembrance of **Orio Giarini**, founding Editor-in-Chief of Cadmus, we reproduce key ideas from an article by **Garry Jacobs** and **Ivo Šlaus** about his seminal contribution to economic thought which was originally published in the April 2012 issue of Cadmus under a slightly different title, "From Limits to Growth to Limitless Growth". This provocative title was intentionally chosen by the authors to highlight the confusion between endless material expansion and the continuous development of human consciousness, capacity, welfare and wellbeing which lay at the heart of Orio Giarini's contribution to economics.

1. Equilibrium vs. Evolution

Giarini argued that the well-known economic principle that the supply equals demand is not a law at all, but only a tautology. Economic systems very rarely and only transiently reach anything close to equilibrium. He argued that the very nature of economy is evolving and that the rules and formulas applicable to the old industrial economy which is receding are decreasingly relevant to the knowledge-based service economy which is emerging.

Indeed he contested the widespread viewpoint of many both within and outside the Club of Rome that the report conclusively establishes finite limits to growth. Rather, *he argued that the report proved the inherent limitations of the existing industrial model of economic growth, not any inherent limits to growth itself.*

2. Breaking the Limits

Giarini's four reports to the Club of Rome pinpointed limitations in prevailing theory when confronted with a rapidly evolving social reality. Saved from cynicism by a keen sense of history and a deep faith in human values, his books presented an analysis of these limited conceptions and a plethora of fresh perspectives struggling desperately to be grasped, formulated and communicated.

In *Dialogue on Wealth and Welfare* (1980) he examined underlying premises regarding contemporary economic theory and its relationship with human welfare. Drawing on insights from Smith's *Wealth of Nations*, he traced back the roots of modern economic theory to the crucial point where theory became divorced from social reality.

In his first report to the Club, Giarini argued that the central question regarding growth is not 'How much?' but 'What kind?' The simple, self-evident conclusion he arrived at was that the value of economic growth depended solely on its contribution to human welfare.

In *Dialogue on Wealth and Welfare*, he analyzed the fundamental flaws in the prevailing notion of value and how it is measured. Although many of his insights have now been widely recognized, his arguments still carry the force of his original perception and theoretical clarity.

Long before the consequences of climate change threatened to undermine all conventional notions of economic value, he argued that the real future cleanup costs of pollution from industrialization and fossil fuel consumption were not reflected in measures of GDP and when later they came to be included, the expenditure to address pollution would be recorded as a further positive contribution to growth.

One of the reasons Giarini's writings have not gained wider recognition is because his vision was all-encompassing and, therefore, foreign to the thinking of traditional academic economists.

Discovering the full significance of the transition to services was the main theme of his second report to the Club of Rome, *The Limits to Certainty* (1993), co-authored with Walter R. Stahel. The report set forth the need for a new general theoretical framework for economics to reflect fundamental changes in the nature of economic activity.

3. Managing Uncertainty

The subject that most deeply occupied Giarini and constitutes his most original and potentially important contribution is one which by its very nature defies clear delineation and measurement—the problem of uncertainty.

His years operating the world's largest insurance industry think tank taught him the difficulty of costing and pricing future events. This led him to the perception that uncertainty was central to all economic activity, indeed to life itself.

But he also perceived that eliminating uncertainty represented only one side of the coin. For at the same time, insecurity and uncertainty are sources of human creativity and unbounded potential for wealth creation.

4. Future of Work

Never content with pure abstract theoretical reflections, Giarini always returned to the concrete practical problems of humanity and none today is more pressing than the future of employment. What purpose, he asks, does an economic system serve if it does not provide the most basic of all economic functions, access to the means of obtaining the essential necessities and non-essential components of a modern civilized life?

Mindful of the utter failure of unregulated markets and unsocialized systems to address this most basic need, in 1996 he authored his third report to the Club of Rome, *The Employment Dilemma and The Future of Work* in collaboration with Patrick Liedtke. The report traces the evolution and transformation of the nature of work from the agrarian age through the industrial revolution to the modern service economy. In this report the authors

discard both market and socialist philosophies in favor of a pragmatic, comprehensive, four layered solution designed to provide basic economic security to all, while optimizing the incentives for those who have the capacity and will to work and earn more. Their objective is nothing less than full employment and economic security for all.

Recognizing the essential role of higher education and life-long learning in any permanent solution to the employment challenge, this led naturally to the last of the four reports on the subject of university education and continuous training, *The Double Helix of Learning* (UNESCO, 2003) written in collaboration with Mircea Malitza. There they examined the mismatch between the human life cycle and education, the fragmentation of specialized disciplines, and the lack of integration between education and real life challenges. The report calls for a reorganization of education into multi-disciplinary, integrated modules that combine all the knowledge required to address real work issues.

Then in 2005, Giarini turned his attention to the lengthening of the life cycle and the problem of economic security and productive security for a progressively aging but ever more healthy and active elderly population, by establishing and editing the journal *European Papers on The New Welfare: the counter-aging society*.

5. Concluding Thoughts

Giarini had never been a prophet of doom. On the contrary, a close reading of his reports reveals an unparalleled potential for future prosperity. Where others see the insecurity of uncertainty, he sensed unrealized opportunities. His study of both economic theory and the real economy convinced him that the theory was deficient, not humanity's collective capacity to generate wealth for all. He had the insight and courage to look beyond the traditional boundaries and 'scientific' respectability of accepted concepts and econometric formulas to the vague hinterlands where economy merges in identity with the society of which it is a part and society engages in a creative interaction with the unformed potentialities of its own future.