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The Significance of Growth

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The Venus of the Rags – Michelangelo Pistoletto, 1967
The growth spurt of our modern age

For all mothers of this planet, the significance of growth is closely linked to the physical and intellectual development of our children. It is characterized throughout childhood, reaching from babyhood to the age of puberty, by growth spurts until our children will finally reach, at the time they become an adult, the body measurements and proportions which are characteristic to them. By then, their growth will come to an end. But fortunately, they will be continuing to develop their minds, their characters and their social skills. Thus, as a human being, we continue to grow our whole life.

Only, from a certain age on, we don’t grow physically, though we keep changing biologically, but we make use of our physical capacities to grow constantly in a personal and social and that means also, in an economic way. When we follow the development of economic achievements of mankind then we have to notice that there was not much happening for millions of years. It was only at the end of the 18th century that the gross domestic product (GDP) of certain countries and thereby of the whole world literally took off. Within only 250 years, it grew from an estimated mere 600 $ per capita at that time to about 6.600 $ per person today. This enormous growth spurt which is actually still going on, indicates that at that time, after the *homo habilis*, the *homo erectus*, the *homo sapiens* and the *homo sapiens sapiens*, a new type of human being, i.e. the *homo modernicus*, was born.

Our *homo modernicus* is a rationally-thinking offspring of the Enlightenment. He is a free and democratic Man, who shows his solidarity with others and is guided by the values of the French Revolution. He is an ingenious being, who made the Industrial Revolution. He is a pragmatic Man who grasps the economic dimensions of reality and knows his way around modern capitalism. And finally, this *homo modernicus* is also an exuberant Man, who threw himself into the globalization project with all the exuberance of youth in order to be able to keep up with the exponential trend of economic growth and constant growth rates.

The rise of the affluent society

The growth spurt of the modern age was strongest in the western-oriented capitalist countries until the mid 1970s. Between 1820 and 1973 the per capita gross national product in these countries increased by a factor of 12. This corresponds to a growth rate of about 1.6 % annually.

According to general economic knowledge, the economic growth of the modern age, which has kept up for nearly two centuries now, is a factor touching on self-supporting processes. With regard to the supply side, growth made it possible to invest in research and development, which produced significant technological
innovations. This led to new products and more efficient production processes which, in and of themselves, reinforced further growth. That is why productivity today is 20 times that of 1820. On the demand side, growth created an extraordinary improvement in the standard of living in the industrialised countries and led to the development of our present consumer society, which is itself an important mainspring of growth.

The abundance and wide range of products, which characterize our consumer society, have created a certain degree of well-being and zest for life in all of us. Such wealth, comparable to what is offered by our present-day mass markets, could only have been previously found among the ruling classes of classical Egypt, ancient Rome or among the feudal aristocracy of the middle ages. Without any doubt, growth also contributed to the general increase of our own prosperity. Average life expectancy, for example, has more than doubled since 1820 in OECD countries, increasing from 35 years to nearly 80 years today, while the number of hours worked annually has dropped from 3000 hours to about 1700 hours.

The result of this was the sudden popularity of the most diverse forms of leisure activities which, with the media and entertainment industry, established a new, rapidly growing sector. But we should also recall how important good food, beauty and good taste have become for us. How active we have become in managing our own – attractive - physical appearance by means of fashion, cosmetics, body care and wellness, or how important architecture and design, that is, the sheen of the objects which we surround ourselves with, have become.

Parallel to growing material prosperity, our Western civilization has also continued to develop, too. The abolition of child labour, the strengthening of civil and human rights, the creation of health and social services and equal rights for men and women alike are only a few indications that, until recently, the modern age has largely understood the need to maintain a balance between democracy, social development and capitalism; a balance inherent to its central ideas.

**The quest for suitable indicators of prosperity**

This balance between economic growth and general prosperity is especially important for those of us working in the consumer goods industry and in trade. Because only if the majority of people are doing well can we grow, too. But is this balance really being maintained today? Indeed, there are serious doubts about it.

In a speech he gave during the primaries of a US election campaign, Robert Kennedy was already questioning the gross national product as a suitable indicator of prosperity when he said: "...Our gross national product counts air pollution and cigarette advertising, and ambulances to clear our highways of carnage. It counts special locks for our doors and the jails for those who break them. It counts
napalm and the cost of a nuclear warhead... It counts television programs which glorify violence in order to sell toys to our children... Yet the gross national product... does not include the beauty of our poetry... the intelligence of our public debate... It measures everything, in short, except that which makes life worthwhile...”.

In the meantime, other politicians have also come to understand that today, the gross domestic product (GDP) cannot be an indicator of prosperity any longer. At the beginning of this year, the French President Nicolas Sarkozy surprisingly commissioned Josef Stiglitz and Amartya Sen, the Nobel Price Laureates in Economics to propose new indicators for the quality of life and for sustainable economic development by April 2009.

The difficulty of this task can be seen in the implementation of a generally accepted definition and an evaluation of factors like prosperity, which no longer has an exclusively material dimension in our industrialized countries. In order to be able to derive correct, relevant economic and social policy decisions, one will need much more than simply new indicators, however. At the same time, economic models themselves have to be reconsidered. These [simplistic] models are based today on a "homo oeconomicus" who behaves exclusively in a rational way and exclusively in his own personal interest.

In my opinion, we cannot restrict the topic only to subjects like prosperity and quality of life. We must go even deeper and try to understand the cultural and anthropological backgrounds of what actually constitutes the meaning of life. For behind every concept of prosperity, whether it is that of a community, that of a family or an individual, there is the crucial question about the essential, about that which really counts. That is why we must concern ourselves with the contents, the meaning of the words or ideas that we associate with the concept of "the wealth" or "richness of life". For it is also there that the secrets can be found to unlock the growth impulse of the consumer industry.

According to the findings of psychologist and Nobel laureate Daniel Kahneman, we are presently moving from an economy of material wealth to an "economy of happiness". In such an economy, those goods that are valued most highly only have a significance within communities and are not exchangeable, cannot be reproduced or cannot be replaced by others, like for example security, peace, friendship, time, culture, knowledge or simply truthfulness and honesty.

The gap between economic growth and prosperity

These soft factors of consumption, which will form the bases of our future economy, have not really been taken into consideration in macro-economics to date. Until today, more than 30 different indicators have been developed in which...
the subject of prosperity has been assessed in different ways. The most interesting one for the consumer society is the Index of Sustainable Economic Welfare (ISEW), which was later evolved into the Genuine Progress Indicator (GPI) because, for the first time, this indicator made it possible to make an actual comparison between economic growth and prosperity.

This comparison proves that economic growth in all the industrialized countries has indeed generated prosperity, although with a steadily decreasing force. Prosperity growth began to stagnate in the US from the 1960s onward, and in the 1980s growth even became negative in the remaining OECD countries. Depending on the country, the GDP contributes today between 40% and 80% to the population's wealth. Despite some criticisms that could be made with regard to the ISEW methods, people today would largely agree that a steadily growing portion of the GDP consists of the repair and maintenance our society. Such growth as this is leaving consumption out in the cold.

Regarding the pollution and environmental damages suffered by our industrial society, the British Government advisor, Sir Nicholas Stern, applied numerical evaluation techniques which confirmed the growing discrepancy between economic and prosperity growth. In his report, which was published about 2 years ago, the costs of climate change would amount to as much as 20% of the global combined GDP if we don’t commence immediate countermeasures. Costs for a necessary reduction of green-house gases, however, were estimated at approximately 1% of the global GDP.

The limits of macroeconomics

At the UN climate change conference in Bali in December 2007, the world agreed for the first time that climate change indeed exists, that it is caused by human activities and that it represents a global threat to the survival of mankind. The fact that everybody granted themselves another two years time to arrive at an initial action road map shows the importance to the economic interests of continuing to exploit as long as possible our common resource air, up to now considered free for all and completely without limits.

The discussion about the limited availability of oil started first, and in a very controversial way, in 1972 with the publication of the first study of the “Club of Rome”, which they called ”The Limits of Growth”. Today, 35 years after the first warning shots, one stands somewhat surprised and rather at a loss with regard to soaring energy prices. According to the statements of the Nobel Price laureate in Economics Robert Solow, one should persevere and trust the invisible hand of the market. For the rising prices of raw materials would induce technological innovation and thereby bring about a substitution of limited resources.
This neoclassical growth theory provides neither details about the social impact of economic prerequisites on technological progress, nor does it tell us anything about the duration of the transitional state. Like most economic theories, it is based on a very simplified model, which describes the consequences of an input parameter like technological progress for example, on the output parameter, which is defined by the model, i.e. the GDP growth. For this, *ceteris paribus* conditions are assumed – which means that one thus assumes that all other parameters remain unchanged.

Today, macroeconomics is still unable to describe the effect of several determining factors which are interacting with each other on complex and interlinked systems like our economy, our societies and our world. Nor can it make statements about the reaction time to modifying impulses within such systems. That is why, Ladies and Gentlemen, we must be very much aware of the fact that we have entered into the adventure of deregulation, liberalization and globalization with a stirring declaration of faith but without any rudder. We are navigating on sight!

**The macroeconomic pressure on microeconomic reality**

Fortunately, people don’t wait for the day when macroeconomics can keep pace with the current challenges. They live in the reality of their daily lives. We have new hopes for prosperity and a Western life style on one side of our planet and the end of the dream of constantly growing material prosperity on the other side of our planet. This was the dream of Mr. and Mrs. Everyman when they were – quite recently – still identifying themselves as members of an increasingly wealthy middle class.

For them, the astronomically soaring energy costs and the increasingly expensive basic foods like bread, milk and butter have become a serious problem. They do not basically care about whether prosperity is measured by one index or another one. They only notice that the bursting of the speculative bubbles has also left a deep hole in their own pockets and that, in the meantime, planet Earth has become as small as their own apartment and that suddenly, everything is somehow interconnected.

They have understood that the two giants, China and India, have awakened and are hoovering up energy, raw materials and jobs by manufacturing cheap products for the whole world. Of course, Mr. and Mrs. Everyman have noticed with their own daily purchasing habits that these cheap products are what have made it possible to more or less uphold their standard of living despite the drop in real income - until recently. But their employer's "headcount reduction measures" showed them very clearly just how much these foreign cheap articles production sites impact the domestic industry. Thus the life of Mr. and Mrs. Everyman has changed all of a sudden and quite unexpectedly. Concerns about their standard of living, their pensions and their jobs are added to private crises, which are accelerated by the decline of the traditional family model and the dissolution of obsolete gender roles.
In view of the economic, social and environmental turbulences of our time, our previous life style, aimed at material, ephemerally hedonistic and irrationally entertaining consumption, can no longer provide the security we desperately need today. What was so self-evident until recently, now seems remarkably unreasonable.

Therefore, we should not be astonished that consumers have become more reluctant. They are less and less impressed by the advertising campaigns and turn their attention increasingly to the cost-benefit ratio. That is why they flock to discount shops, into factory outlets of all kinds or private label retailers like Ikea, Zara or H&M, which all manage to offer premium quality at discount prices. And they treat themselves to good food – their only luxury item. No extravagances like caviar or champagne any longer. They are looking for a simple cuisine with high quality ingredients whose taste speaks of "terroir" - territory - and tradition. After the excesses and exaggerations of the past decades, when they helped to keep the "hedonistic treadmill" in motion rather like hamsters, they began to discover what I call "the sober happiness" as a new lifestyle.

The new significance of consumption

However, considerable portions of the consumer goods industry and retailing cling to their magic formula of customer orientation and of push-marketing. They continue to invest in the embellishment of their brand image and throw stardust on people’s daily life, in spite of the fact that consumers have meanwhile developed a completely new attitude towards consumption, which is based on the need to understand the inter-relationships of all things.

By now, even the "silent majority" has acquired the necessary knowledge to assess the significance that the current challenge represents for their individual lives. They are aware of the dangers of global warming and of climate change. They know the problems that are linked to the limits of dwindling global energy and fresh water supplies. They see through the risk of genetically modified food and - last but not least – they are well aware of the human exploitation taking place in certain far away factories in so-called second or third-world countries that supply goods to our own first-world shops; an exploitation that makes some (or more) of the low cost offers in our first world possible. That is why consumption today also reflects a consumers' social attitude, which extend beyond the mere satisfaction of individual needs.

Naturally, consumption remains also associated with the act of reaching for an object of desire. However, our research results clearly show that consumers are no longer fascinated with the ways and means that consumption manifests itself today. They prefer the sober and the moderate to the blatant and hype. They feel much more drawn to the esthetics of ethics. This attitude towards consumption, which one knows to some extent from politicized niche groups holding the ideals of
pauperism, can be found today amongst the majority of consumers in our saturated markets. It stretches across all social classes and across all generations. It is as if, after all of the hullabaloos of too much, too many, too tempting offers, bargains, points-of-sale and advertising messages aiming always and exclusively at their purse while making use of the most extravagant marketing means, consumers are now asking for a time-out.

We all know that consumers have become more mature, they are more competent and more demanding. But we also have to take into consideration that they have – all of a sudden - also become much more critical. They are no longer satisfied with the material and immaterial added benefit that we have been offering them up to now. They also want to look behind things in order to evaluate the world of consumerism and they want to be able to come to grips with it. This critical attitude of consumers is not directed against consumption per se, but is - much more - the expression of the consumers' need to develop their own individual viewpoint and position towards the various brands, retailers and the products that they will eventually be evaluating, choosing and purchasing.

This new, critical consumer behavior challenges the economy and politics in a very particular way. For it requires that the entrepreneur or the leader personally adheres to the company’s or political party’s values and that he or she will take responsibility for the implementation and transformation of this value attitude into generally comprehensible entrepreneurial and political action. We must not understand that as an abstract, ideological ethical transformation of consumption but rather as a substantiation of ethical values via the act of consumption. It is the logical consequence of the new social and ecological sense of responsibility held by more and more consumers.

The principle of responsibility heralds the start of a new era in the history of consumption. If - instead of viewing society as an abstract entity on which the individual can hardly have any impact - you see society as a community defined by the interaction of individual deeds, then even the most ordinary daily event - like shopping - will contain social relevance. In this new kind of WE-society consumption can be considered an active, conscious and self-determined gesture, which not only gives meaning to our own lives, but which also establishes a relationship to all other people in our society and the whole world.

The new consumption connects an economic purpose with a sense of responsibility towards society, environment and our future. Only this synthesis between the interests of our economy and those of our civilization will be able to generate growth in the future.
New consumer behavior

Already today many signs of this new consumer behaviour can be seen in our Western societies. One of the most radical examples is the Voluntary Simplicity movement or Simple Living, a life style favoring conscious spiritual and intellectual wealth paired with conscious material abstinence. The movement has its origins in the USA and is also finding more and more adherents in Europe. But also in our own home environments we can clearly observe how the yearning of consumers for authenticity is giving birth to new consumer habits.

In order to understand this reorientation of consumption it is nevertheless necessary to make a clear distinction between the authenticity which is for real and that which is being simulated. Because today, everybody and everything is trying to look authentic. A vast and barely comprehensible number of products declare their genuine authenticity by means of certificates, labels or brands. In Sweden however, you can find the photo and the phone number of the respective breeder on the poultry packaging, provided that the birds were hatched, grew up and were slaughtered in the country.

Consumers share information about certain goods and services via a growing number of internet sites and web-blogs, or they form communities of buyers in order to be able to acquire certain authentic, original, ethnic, pure, biological, traditional or typical products directly from the farmers. City people even tolerate long rides in order to buy biological produce, meat or fresh milk directly from the producer, if the producer isn’t already shipping it to them himself.

Or they join together to form peaceful armies armed with rakes and hoes – and seeds - in order to use the smallest patch of land in the city or in the surroundings for the cultivation of fruit and vegetables. Not only does this former pensioners’ hobby relieve the household budget, it also revitalizes the old model of self supply on a few square meters of freedom.

Others take their empty, neatly rinsed bottles and cans into those supermarkets that sell bulk commodities at automatic self-service kiosks. They don’t want our planet to be polluted by even more garbage because of packaging waste. Furthermore, they are convinced that such foods are less costly and of better quality.

Some people even radically change the direction of their lives and leave their well-paid jobs. They move out of the cities and establish their new homes on a lovely spot of land. They enter into the adventure of new jobs that are based on both artisanal and technical skills that may be creative or service-related. They adapt their lifestyle to their peaceful rhythm of life. They are happy that they are able to enjoy a sunset again.
To others, the construction of an ecological house in the middle of their city represents a new goal in life. They don't simply associate this house with energy savings but also with their intention to lead a life in harmony with nature.

**New production realities**

As you may already be aware, Ladies and Gentlemen, there is much more going on in our societies than we imagine. And there are also several producers who are already responding to this new critical and responsible consumer attitude.

I don't know if you have heard about the new vitamin found in Italy - a new vitamin found in organically grown products. It is called vitamin ”L”. L stands for legality and it designates for example products from Sicilian cooperatives, which explicitly do not support organized crime. The Italian state provides these cooperatives with land which had been confiscated from the Mafia.

However, the most credible label in the country is called ”0 KM”. As you may know, this label usually stands for carbon-free products that haven't been imported from far-away countries. But in this case it stands for products of excellence that are manufactured in the only place with the lowest possible rate of mobility: that is, in prison. And there are many more of these products than you can imagine:

- such as the ice cream ”Aiscri, prisoner of taste” which is made in a prison in Lombardy using fresh regional fruit. Guaranteed free of genetically modified organisms (GMF)! Please note the play on words with ”ice cream” and ”I scream” (which comes form the English children’s pun: I scream for ice !)

- or a coffee called ”Huehuetenango Pausa Caffè. This is a special coffee bean, which counts among the products protected by the Slow Food movement and which is cultivated under fair-trade conditions and roasted in an old fashioned way above log fire by the inmates of the ”Lorusso e Cutugno” prison near Turin.

- or quail eggs which are considered to be easier to digest than chicken eggs and which contain less cholesterol. They are produced in a prison close to Milan. The prison bears the name ”Fattoria Al Cappone” which translates into ”Al Capone Farm” but also ”Capon Farm”

- and finally also the fashion label csdb is produced behind bars. The label stands for ”codice a sbarre” which means bar code but can also mean ”behind bars” in Italian. It is possibly the only Italian fashion brand where you can be 100% certain that it really IS ”made in Italy”. By the way, csdb is the favourite brand of Italian rock singer Gianna Nannini.
From a mass market to masses of markets

Even if I deliberately chose somewhat provocative examples, they nevertheless very clearly show the two forces pushing the process of change within – and on our economy. One force is the need for consumers to cease being merely passive buyers and to take up an active role within the value chain process. On the other hand, there is the increase of larger-scale workshop production. Unlike industrial producers, these types of producers commit themselves to the making of specific niche products.

It would be wrong to regard these niche suppliers as a direct threat to the industrial mass market because they will never be a substitute for them. That would be a step backward and perhaps only desirable to a few representatives of the ideas of neo-pauperism. However, with their top quality products they represent an inspiration and an ongoing challenge to the industrial range of goods. This could lead to new consumption scenarios and fascinating forms of symbiosis of “class and mass”.

Seen from an economic point of view, the entire range of niche suppliers will not only become more significant in terms of turnover, they will also become an important motor of employment for our post-industrial societies, especially because their business model is not oriented towards the use of economies of scale.

However, we cannot allow ourselves to envision the production facilities of these new niche suppliers as arts and craft facilities without any kind of technology. On the contrary! These new producers, in spite of the fact that they regard themselves as enlightened amateurs and their craft also as an art, have become real experts in the employment and use of small, flexible and highly technologised machinery which has meanwhile become accessible and affordable for every amateur craftsman.

And, like every good artist, they know how to sell themselves. They make contracts with local shops and even supermarkets, which are beginning to open up for such niche products because they have understood the importance of including excellence in their own range of products.

But they use the internet – and its viral power – as their preferred sales and – above all – communications channel. They are masters of the art of mouth-to-mouth propaganda using blogs and, recently, video blogs and make sure that people are able to discuss their products, principles and production methods in specifically themed forums. As Chris Anderson has highlighted in his book "The Long Tail", the internet is an integrated component of the niche provider’s business strategy because it turns masses of markets into a virtual mass market for products that are either unique or of excellent quality.
The significance of intrinsic quality and real quality

Like every marketplace, the world wide web is also a place to exchange information and opinions. Therefore, it is also a place for people to socialize and educate themselves to become critical and responsible consumers. It enables them to sharpen their awareness of quality and price, to appreciate and to rate brands and also provides sites – or advise about "the right places" to purchase certain goods. Today's consumers are not on their own or isolated any longer, like they used to be. They are able to exchange their newly acquired knowledge and expertise with others and they can form alliances for smart and responsible consumption.

And since consumers are now closely linked with each other, the darker aspects of the value chain are also very easily revealed. That is why the intrinsic, the inherent quality of products is in itself a precondition for the purchase decision, which must be fulfilled. Product quality is now back in the news and spotlight specifically – but not only – because of recent scandals, such as the lead-polluted toys or the melamine baby milk "made in China", or the rotten meat or rotten cheese scam, which shocked the public and forced the topic of product quality back into the focus of attention. These and other scandals, which occurred mainly in the low price sector, have quite plainly revealed to consumers the risks of the "low-cost-at-any-price" strategy. They are now starting to think seriously about the "high costs of low cost".

As I have noted on a number of occasions in earlier talks I have given, there are also emotional, individual and collective factors that influence consumers' perception and comprehension of quality. That is why a brand today should not only stand for quality again, but also express its cultural heritage and its value standpoint through the 12 fields of action of the "sociocultural model" that define the spectrum where quality should radiate its utter importance in an authentic, emotionally convincing way, one that reflects the spirit of the times.

Today, people don't expect a brand to constantly diversify its range. However, it is expected that people behind the brand know how to build up a relationship with the consumers and how to maintain it. This kind of relationship is more and more determined by the issues of Transparence and Ethics which both play a more and more important part in the appreciation of quality. To be more specific, that means for the consumers:

- that they are offered security, that all stages of the value chain, starting with the raw materials, passing through the transformation process and ending at waste management, do match the criteria which were negotiated beforehand and that they should fulfill more than the statutory provisions
- that lawful and fair working conditions, also in the factories of external suppliers are guaranteed
that they have access to the company’s codex for sustainable use of ecosystems and that they are allowed to verify its implementation

- and last but not least, that they will find fair prices which are comprehensible and which correspond to the real quality of the products and services.

These basic ethical requirements cannot be replaced by patronising sponsorship or well-intentioned philanthropy. That would not only be implausible but it would also nurture the suspicion that the company is trying to avoid what counts most: to see itself as a part of society and to grow in a responsible way.

**An economy of momentous significance**

These four ethical quality requirements have nothing whatsoever to do with a “corporate social responsibility”, which is in fact a mere lip service most of the time. These quality requirements are much more a manifestation of a ”corporate social sensibility” and a ”corporate social responsiveness”, an engaged and distinct thinking of the companies that have fully understood, standing in the tradition of Max Weber, that economic action also means social action.

Toyota’s CEO Katsuaki Watanabe perfectly understood what is at stake today when he said: ”One of my visions for the future is a ”dream car”: a vehicle that cleans the air, prevents accidents, promotes health, evokes excitement, and can drive around the world on a single tank of gas.” With this not only promotionally effective vision he links his company’s interests with the interests of society and with those of our planet. It is the ideal example of a sustainable project, because it encompasses all three fields of interests.

Ladies and Gentlemen,

The last act of the odyssey of consumption has begun: Ulysses returns to Ithaca. As Ulysses did after his long wandering, consumers, too, are searching for tranquility, the sense of a safe harbour today - after all the deceptions, the disappointments and transient seductions. They have lost their faith in the myth of possession, of the ”must-have” and are yearning for products with more constancy like a chair which will simply be a chair again.

This need for a greater ”value of a good”, and here I mean values which are not only added, but intrinsic to the goods, is closely linked to another basic human need, namely the need to grow, the need to invent oneself again and again. However, only those things that have meaning to us, broaden our horizon and stimulate us to rise above our own personal limits.

After the economy of needs and the economy of wishes, the economy of momentous significance and meaningfulness has been rung in. Most probably, it will be the last growth phase of the consumer economy. Since it is the only economy which is at the same time sustainable and allows for unlimited growth.