

This economy is unsustainable

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During the Middle Ages and the era of mercantilism (15th-18th centuries), economies were structured around the control of land and natural resources. Wealth was associated with the accumulation of gold and silver as a means of increasing national power, but there was no clear priority on constant economic growth^[1].

The Unsustainability of Endless Material Growth

The emphasis on growth began two centuries ago with the Industrial Revolution and the consolidation of capitalism, championed by economists such as Adam Smith, David Ricardo, and later John Maynard Keynes. In the 20th century, GDP (Gross Domestic Product) became the primary measure of economic activity and national progress.

Today, a defining characteristic of market economies is their reliance on continuous economic growth, which is essential to avoid high unemployment and declining investment. To maintain this growth, manufacturers must persuade consumers to purchase ever-increasing quantities of their products. The market economy would collapse if consumers stopped buying. The core issue with the market economy is that perpetual and unbounded growth is logically impossible in a finite world with limited resources.

By stimulating the limitless desires of individuals rather than focusing solely on needs, the current economic system has created chronic dissatisfaction. This system requires continuous and accelerated economic growth to meet these desires and the debts that both the state and individuals are constantly incurring. Without growth, the system would collapse. However, this accelerated growth, now deemed indispensable, is depleting the planet's resources.

According to the World Bank, the global economy has grown at an average annual rate of about 3% over the past few decades. This means that the global GDP doubles every 25 years, multiplying annual output by 20 in 100 years and by 40 in 125 years. To achieve this rapid growth,

“resource extraction has more than tripled since 1970”, and by 2060, global material use could double to 190 billion tonnes from 92 billion, while greenhouse gas emissions could increase by 43%. The UN Environment Programme (UNEP) concludes that “we’re gobbling up the Earth’s resources at an unsustainable rate”^[2].

An Economy Based on Desires Rather Than Real Needs

Natural resources are finite but sufficient if we use and manage them wisely. However, by prioritizing GDP growth as the primary indicator of progress, consumerism and dissatisfaction have been promoted. There will never be enough resources for the compulsive spender. The definition of economy has shifted: it used to aim at meeting needs with limited resources; now it seeks to fulfill desires with scarce resources. We forget that limited resources may be sufficient to satisfy needs, which are also limited, unlike desires.

This economic rationality proposes the axiom of non-satiation, where more is always seen as better than less, and satisfaction is never truly achieved. Consumers believe that having more is better than having less and that consuming more goods will bring more utility. They are never satisfied enough to stop desiring more, although this desire may diminish as goods accumulate.

Conclusion

We need a new economy focused on the real needs of people, not their desires, aiming to ensure everyone has enough to live with dignity while protecting the ecosystem. This economy should strive to guarantee full employment, as work is essential for personal fulfillment and community building.

Earning more and more money must not be the primary goal, even for business enterprises. Profitability should serve as a means for a company to fulfill its social function. Growth should support these objectives, not be an end in itself.

True growth helps to overcome social inequalities and increases happiness, which is always linked to relational goods. The goal is to make the world a welcoming home where everyone has what they need and can care for each other as brothers and sisters.

^[1] This text is part of a conference given by prof. M. Carbajo Núñez in Split, Croatia, on 20 August 2024.

^[2] <https://www.unep.org/news-and-stories/story/were-gobbling-earths-resources-unsustainable-rate#:~:text=Resource%20extraction%20has%20more%20than,increase%20by%2043%20per%20cent>