

11. Green growth vs. degrowth: Implications for climate neutrality and socio-economic stability in Europe

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Abstract: Europe's path to climate neutrality is assessed through the competing lenses of green growth and degrowth. The chapter synthesises theoretical debates, empirical evidence and EU policy initiatives such as the European Green Deal and Fit for 55. Green growth appears more compatible with existing institutions, market systems and political feasibility, yet evidence on absolute decoupling raises doubts about whether it can deliver climate stability at sufficient speed. Degrowth offers a sharper ecological critique and stresses social justice, consumption restraint, and redistribution; however, it faces serious barriers linked to financial systems, public acceptance, employment and EU cohesion. The chapter argues for a hybrid transformation that goes beyond conventional growth while avoiding uncontrolled contraction. Europe may need policies that combine technological change, fairness and deeper institutional redesign.

Keywords: green growth, degrowth, European Union policy, climate neutrality, socio-economic stability.

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Introduction

The European Union is at the forefront of global efforts to transition toward a sustainable and climate-resilient economy. In the face of escalating climate and environmental challenges, the debate on economic transformation centres on two major economic paradigms: green growth and degrowth. The EU, through initiatives such as the European Green Deal and the Fit for 55 package, has committed to achieving climate neutrality by 2050, while striving to maintain economic prosperity and social cohesion. These ambitious goals raise questions about the extent to which EU policy can or should draw from the principles of each of these economic paradigms in pursuit of genuine sustainability. This chapter analyses the theoretical foundations and practical implications of both green growth and degrowth, examining their potential application in the context of EU policy. Special attention is paid to assessing possible trade-offs between climate neutrality and socio-economic stability, thereby contributing to the broader discussion on economic transformation in the face of environmental challenges.

11.1. Green growth versus degrowth

The aim of this subsection is to present two approaches addressing environmental challenges within economic systems: green growth and degrowth. These concepts offer fundamentally different visions of how societies should respond to pressures concerning climate change.

The concept of green growth first attracted attention during the Rio+20 conference in 2012 (Hickel & Kallis, 2020, p. 469). According to the World Bank definition (2012), green growth is “growth that is environmentally sustainable. It is efficient in its use of natural resources, clean in that it minimises pollution and environmental impacts, and resilient in that it accounts for natural hazards and the role of environmental management in preventing physical hazards and excessive commodity price volatility. Green growth is a tool to achieve sustainable development, not a competing paradigm. It offers a development pathway that reconciles the urgent need for sustained growth with the imperative of avoiding lock-in to unsustainable growth patterns and irreversible environmental damages. Green growth is not anti-growth; it represents a change in how we manage economies for sustainability” (p. 1). Green growth does not reject traditional economic paradigms but rather seeks to maintain economic growth while addressing social and environmental concerns. It assumes that the global economy

can still grow without the expanding use of natural resources and CO₂ emissions (Hickel & Kallis, 2020, p. 1). Green growth still takes into account GDP as one of the main economic indicators, but also places greater emphasis on issues such as eco-efficiency, resource efficiency, and circular economy (Lyytimäki et al., 2018, p. 51).

In contrast, the concept of degrowth presents a fundamental challenge to the dominant paradigm of continuous economic growth, which is perceived as unsustainable from both ecological and societal perspectives and uneconomic in highly developed nations (Alexander, 2012, p. 349). As its proponents argue, the current development model reveals serious limitations across three key dimensions. In social terms, it functions as a mechanism generating inequalities, undermining collective wellbeing (Powers et al., 2019, p. 418). The ecological dimension demonstrates the transgression of planetary boundaries (Fournier, 2008, p. 528), while the economic efficiency of continued growth in advanced economies shows diminishing returns, with increasing marginal costs often outweighing the benefits (Alexander, 2012, p. 349). Critiques of mainstream economics highlight how GDP-centric measurements fail to capture both the ecological costs of economic activity and the diverse forms of value creation that exist outside market transactions (Kallis et al., 2012, pp. 173–178). The fixation on GDP as a primary indicator of societal progress systematically undervalues critical dimensions of human and ecological wellbeing, leading to policy decisions that prioritise short-term economic gains over long-term sustainability and social cohesion (Raworth, 2017, pp. 37–62).

As Akbulut (2021) explains, degrowth proposes deliberately reducing economic activity in wealthy nations to achieve environmental sustainability and social equity through alternative, non-capitalist systems of production and exchange (Akbulut, 2021, p. 99). It seeks to enhance social well-being through voluntary simplicity and redistributive policies (Heikkinen, 2018, p. 44). This approach also recognises the global North-South divide, acknowledging that while developed economies must scale down their material consumption, developing nations still require economic growth to meet basic needs (MacKay, 2021, p. 829).

While green growth theory proposes market-driven solutions, degrowth's fundamental challenge to existing economic systems represents both its key insight and its main practical limitation. Having established these foundational definitions, the subsequent sections provide a comparative analysis of these two approaches, examining their implications for climate neutrality and socio-economic stability.

11.2. Climate neutrality

Analysis of global material footprints shows that economic growth consistently correlates with increased environmental pressures, including “climate change, water scarcity, ocean acidification, biodiversity loss, and chemical pollution” (Raworth, 2017, p. 224). This perspective has significant implications for current climate neutrality debates, suggesting that modifications to existing economic structures may be insufficient. It also invites an examination of the EU’s approach to achieving climate neutrality.

The European Environment Agency’s analysis (2023) provides insights into the EU’s strategic environmental objectives and institutional approach. The European Green Deal’s substantial investment framework aims to enable systemic decarbonisation while acknowledging significant structural constraints. The aforementioned document indicates that decoupling emissions from economic growth encounters challenges not primarily from technological limitations but from institutional capacity constraints in resource allocation and policy coordination. Through the Net-Zero Industry Act (NZIA) and related frameworks, the EU proposes an institutional architecture focused on market integration and industrial strategy to overcome these barriers. The analysis suggests that successful decoupling requires both investments in green technologies and fundamental reforms in economic governance structures, particularly in coordinating transition policies across the EU’s multilevel governance system. However, while this reflects the EU’s commitment to market-based solutions and technological innovation, a critical examination of the empirical evidence raises important questions about the fundamental assumptions underlying such policies.

While green growth presents an attractive narrative, it may fail to address some of the fundamental constraints. Hickel and Kallis’ (2020) research indicates that efficiency gains and technological improvements have not reduced global resource use or emissions at the required rate. Global material consumption increased significantly, with material use rising by 93.4% between 1980–2009 (reaching 67.6 billion tonnes), and material footprint growing by 132% between 1980–2013. Material intensity has notably accelerated in the twenty-first century, growing at 3.85% annually (2002–2013), thereby outpacing GDP growth. Their analysis demonstrates that with sustained economic growth, even under optimistic scenarios with aggressive mitigation policies, projected resource use will reach 95 billion tonnes by 2050, while emissions reduction rates remain insufficient for maintaining temperature increases below the critical 1.5°C or 2°C thresholds (Hickel & Kallis, pp. 471–472, 474–475, 479).

These findings directly challenge the feasibility of absolute decoupling within the current economic paradigm. The degrowth perspective, however, recognises that infinite growth on a planet with finite resources is impossible, regardless of technological innovation. According to this, absolute decoupling at the scale and speed necessary for climate stability is likely unattainable within current economic structures.

Nevertheless, the degrowth approach also demonstrates some limitations when subjected to empirical analysis. According to Pollin (2018), its core proposition of an intentional GDP reduction proves insufficient for achieving necessary emissions targets: a 10% GDP contraction would yield only minimal emissions reductions while potentially triggering severe socio-economic disruptions. This highlights a fundamental weakness in degrowth theory – its frameworks remain largely theoretical and lack both empirical validation and concise implementation strategies. Pollin notes that degrowth advocates lack concrete mechanisms for emissions reduction, with most proponents paying minimal attention to specific carbon reduction targets or implementation methods. In contrast, the Green New Deal's proposal for targeted investment of 1.5%–2% of annual GDP in clean energy infrastructure offers a more viable pathway for achieving necessary emissions reduction while maintaining social stability and economic functionality. Evidence suggests that effective climate policy requires specific technological transformation strategies rather than general economic contraction.

Looking forward, the debate between green growth and degrowth might have crucial implications for EU policy design. The evidence suggests that achieving climate neutrality demands a more fundamental restructuring of economic systems than current policies envision. This transformation must simultaneously address both the scale of economic activity and the structural drivers of environmental degradation. Policymakers should therefore focus on developing frameworks that facilitate a transition ensuring both environmental sustainability and citizens' well-being.

11.3. Socio-economic stability

Despite the ambitious plan to transform the economy to become more sustainable, the European Green Deal does not detach itself from the fundamental principles of a market economy. In addition to reducing greenhouse gas emissions and negative environmental impacts, its goals also include the development of green technologies and innovations, which could provide employment opportunities and increase the long-term competitiveness of the EU economy in sectors related to renewable energy (Fetting, 2020).

However, it should be noted that the energy transition can carry significant societal costs, particularly through increased living expenses and potential job losses. Moreover, climate policies to date have often placed a disproportionate burden on lower and middle-income groups (Chancel, 2022, p. 935), fostering a sense of injustice and public discontent. This has sparked notable protests, from the Yellow Vest movement started in 2018 to the farmers' demonstrations in early 2024. Regional disparities present another challenge, particularly in Eastern Europe, where greater fossil fuel dependency and lower living standards make meeting EU climate goals more challenging, creating political tensions that require careful compromise. Without adequate consideration of these issues, rising social tensions could ultimately impede sustainable development efforts (Kwiatkowska & Rogowski, 2025).

Degrowth, which is a far more radical strategy that assumes a complete reorganisation of the economy and society, raises even greater concerns in this regard. Critics argue that a decrease in production and consumption could trigger a cascade of negative socioeconomic effects, potentially leading to high unemployment rates and decline in citizens' overall quality of life (Pollin, 2018).

This causes degrowth to remain a rather niche concept, discussed mainly in narrow academic circles. Since it requires a complete rearrangement of today's society, it lacks support from the vast majority of politicians, who risk becoming unelectable by advocating such proposals. For decades, people's understanding of well-being has been strongly linked to GDP (Büchs & Koch, 2019, p. 156), which makes it challenging for an idea that completely departs from it to gain wider support. While considering the validity of degrowth, it is therefore worth addressing the relationship between GDP and well-being.

One of the most important studies in this field was conducted by Easterlin (1974). Based on surveys from 19 countries with various income levels, he showed that higher-income individuals were, on average, happier than lower-income individuals. Interestingly, however, the only time series (concerning the US) revealed that the aggregate level of happiness in the United States did not increase over the years, despite the increase in GDP per capita. This finding is now called the Easterlin paradox, and its occurrence has also been proven in other countries both developed and developing (Easterlin et al., 2010).

Other studies, however, challenge this theory. Deaton's (2008) research indicates that there is a strong positive correlation between GDP per capita and life satisfaction. It is strongest in poor countries, but remains positive in rich countries as well, and there is no evidence that beyond a certain level, GDP growth ceases to affect life satisfaction. The varying results of the studies may be due to methodological differences and difficulties in defining well-being. This makes the relationship between GDP and happiness remain ambiguous.

Büchs and Koch (2019, p. 157) point out the significance of people's reactions to potential reductions in income and consumption. The concept of loss aversion, which implies that individuals perceive potential loss to be more severe than an equivalent gain, seems particularly relevant in this context. Even a slight reduction in the perceived standard of living could cause significant citizen dissatisfaction and increased social tensions. Research on the impact of recession on subjective well-being largely supports the loss aversion theory. Of course, it should be borne in mind that degrowth is not synonymous with recession, as it implies a deliberate reduction in economic activity, accompanied by policies designed to boost citizens' well-being. Nevertheless, negative psychosocial effects cannot be ruled out, especially in societies heavily shaped by consumerism.

Responding to concerns about potential socio-economic destabilisation, proponents of degrowth argue that a controlled and planned transition would offer greater stability than the chaotic changes that societies will inevitably face amid an escalating climate crisis. To facilitate this transition, they propose various measures, with reducing working hours and implementing an unconditional basic income as key initiatives. What is important, social justice is one of the cornerstones of degrowth. It assumes that the burden of systemic changes should not fall disproportionately on disadvantaged groups; it additionally emphasises the importance of reducing inequalities and democratising economic processes, primarily through active support for cooperatives and local enterprises, fostering a more equitable and resilient economy (Hickel, 2020).

Degrowth might also raise security concerns. Declining production could weaken the EU's international position, especially against powers such as China and the United States, which remain focused on growth. However, degrowth does not necessarily entail reduced defence spending or weaker activity in strategic areas. Likewise, unbridled growth does not automatically provide geopolitical advantage, while reducing energy and resource consumption can lessen dependence on other countries and provide greater environmental and geopolitical security (Stegeman et al., 2023).

That said, the EU is unlikely to become a strong player on the international stage without internal stability. Degrowth, however, also carries the risk of deepening inequality among EU Member States (Stegeman et al., 2023). Eastern and Southern European countries, which are still in the process of macroeconomic convergence with Western economies, may oppose growth-reducing policies through fear of consolidating their weaker position. These tensions could prove even greater than in the case of green growth, thereby leading to deeper divisions within the EU and weakening its political cohesion.

Both green growth and degrowth involve significant challenges to the EU's socioeconomic stability, with social tensions already being observed in the

implementation of green growth policies. Differences in the level of economic development between Member States and the issue of social justice require special attention, regardless of chosen transition path.

Conclusions

This chapter has analysed green growth and degrowth in the context of the EU's sustainability transition. While degrowth presents compelling arguments from an environmental perspective, its implementation poses significant challenges due to the fundamental misalignment with existing institutional structures of modern economies. These structures, from debt-driven financial systems to international trade relationships, are deeply embedded in the current economic paradigm, making green growth approaches appear more politically feasible in the short term.

However, the evidence of ecological limits suggests that the EU may need to move beyond the traditional growth paradigm. The European Green Deal, while currently aligned more closely with green growth principles, may need to evolve to include more transformative elements inspired by degrowth thinking. The EU's position as one of the world's wealthiest regions, combined with its advanced institutional framework and commitment to environmental leadership, makes it particularly well suited to pioneering such a transition.

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