

# **The Stability- Constraints Matrix**

A wooden tray containing several small, white, circular and rectangular objects, possibly seeds or beads, arranged in a grid pattern. The tray is placed on a wooden surface, and the background is a blurred wooden structure.

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# The Stability-Constraints Matrix

Advanced economies face mounting structural constraints, from ageing populations and environmental limits to fiscal pressures and social inequality, challenging economic and social stability.

This essay introduces the *Stability–Constraints Matrix*, a tool for mapping the interplay between constraints and institutional strength. It examines three distinct future strategies—*Uneven Expansion*, *Managed Maturity* and *Low-growth Stability*—and their hybrids, highlighting the trade-offs, political feasibility and systemic risks of each.

Resilient economies require deliberate design, and their success depends on realistically anticipating constraints while strengthening institutional capability. Ideology often clouds assessment, but with careful analysis, leaders can select strategies that sustain stability, equity and social cohesion in a more constrained world.

## A familiar shock in a changing context

Earlier this year, global business and policy leaders identified geoeconomic confrontation as the highest immediate systemic risk.<sup>1</sup> The eruption of conflict in the Middle East is validating those concerns, disrupting global oil supplies and logistics.

The transmission mechanism is well understood: higher energy costs feed into transport, food and inflation. Households adjust consumption, firms reprice, central banks recalibrate interest rates and governments deploy subsidies and short-term relief. The implicit assumption is that the system absorbs the shock and reverts to trend, as it broadly did after the GFC and COVID-19. Increasingly, that assumption warrants closer scrutiny.

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<sup>1</sup> World Economic Forum. (2026). The Global Risks Report 2026. [https://reports.weforum.org/docs/WEF\\_Global\\_Risks\\_Report\\_2026.pdf](https://reports.weforum.org/docs/WEF_Global_Risks_Report_2026.pdf)

## From shocks to constraints

The medium-term risk outlook shifts from episodic shocks to **persistent structural constraints**. Looming pressures over the coming decade include environmental stress, widening inequality, social fragmentation and adverse technological disruption. These interact and reinforce one another, creating systemic vulnerabilities. The longer-term expectation is turbulence, not stability.<sup>1</sup>

Constraints are not fixed ceilings; their severity and interaction will be shaped by policy choices, technological change and geopolitical developments. But the balance of evidence points to accumulating structural headwinds, narrowing the economy's margin for error.<sup>2</sup>

- Demographic limits are only partially mitigated by migration, labour participation and technology
- Ecological and climate constraints can be moderated through decarbonisation, electrification, energy efficiency, circular economy and consumer shifts, but are unlikely to reverse
- Fiscal constraints may ease under favourable monetary or trade conditions but remain contingent on global factors
- Productivity growth can be lifted through technological changes, but are hampered by technology diffusion lags, skills gaps and infrastructure bottlenecks

Growth may persist but within tighter bounds and with increased volatility. The central policy question is therefore not only how to restore growth after disruption, but how to retain stability as constraints intensify.

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<sup>2</sup> Department of Economic and Social Affairs. (2026). *World Economic Situation and Prospects 2026* (1st ed). United Nations Research Institute for Social Development.

## Reframing the problem: stability and constraints

The *Stability–Constraints Matrix* introduces a simple distinction:

- Constraints determine how easily an economy can grow
- Stability determines whether it can function under pressure

Historically, these concepts have been closely linked. In relatively unconstrained environments, growth acted as a stabiliser, supporting employment, fiscal capacity and social cohesion.

As constraints tighten, growth becomes less reliable and in some cases, destabilising, driving inequality, asset inflation and infrastructure strain.

**Stability is emerging as a policy variable in its own right**, rather than a by-product of expansion.

## The Stability-Constraints Matrix

The *Stability–Constraints Matrix* (figure 1) asks two questions:

- How constrained is the system?
- How stable is it under pressure?

Figure 1: *Stability-Constraints Matrix*

	<b>Low Constraints</b>	<b>Medium Constraints</b>	<b>High Constraints</b>
<b>High Stability</b>	<i>Golden Expansion</i>	<i>Managed Maturity</i>	<i>Low-growth Stability</i>
<b>Medium Stability</b>	<i>Uneven Expansion</i>	<i>Strained Growth</i>	<i>Stagnation with Friction</i>
<b>Low Stability</b>	<i>Volatile Boom</i>	<i>Crisis-prone Transition</i>	<i>Systemic Breakdown</i>

Constraints include resource flows, demographic shifts, infrastructure capacity, environmental limits and fiscal space.

Stability involves institutional capability, macroeconomic resilience, social cohesion and policy credibility.

This framing allows policymakers and business leaders to locate economies not just by growth performance, but by structural conditions and institutional strength.

## Nine economic states

High stability states:

- *Golden Expansion* (low constraints): Growth is relatively easy to generate due to favourable demographics, abundant resources and strong institutions. Productivity rises, wages increase and fiscal capacity expands. Example: Post-war OECD economies
- *Managed Maturity* (medium constraints): Constraints are present but manageable. Growth continues at a moderate pace, supported by macroeconomic coordination and institutional strength. Example: Western Europe and Japan (late 20th century)
- *Low-growth Stability* (high constraints): Growth is structurally limited, but stability is maintained through strong institutions, redistribution and provisioning systems. Example: Japan (2000s onward), parts of Northern Europe

Medium stability states:

- *Uneven Expansion* (low constraints): Growth potential is strong, but unevenly distributed. Volatility, inequality and asset inflation emerge alongside expansion. Example: United States (1990s)
- *Strained Growth* (medium constraints): Growth becomes harder to sustain. Institutions struggle with trade-offs, productivity slows and public trust weakens. Example: Many OECD economies pre-GFC

- *Stagnation with Friction* (high constraints): Constraints bind tightly. Institutions function partially. Growth is weak, and political and social tensions increase. Example: Post-GFC Europe avoided a systemic crisis, but inequalities persist

Low stability states:

- *Volatile Boom* (low constraints): Growth potential exists, but weak governance produces boom–bust cycles. Example: United States (1920s)
- *Crisis-prone Transition* (medium constraints): Frequent recessions, instability and structural unemployment. Often a turning point in economic regimes. Example: 1970s stagflation
- *Systemic Breakdown* (high constraints): Severe constraints combined with institutional failure produce deep contraction and social unrest. Example: The Great Depression of the 1930s

## Where advanced economies sit today

Many advanced economies appear to be in *Strained Growth*, with elements of *Stagnation with Friction* emerging, particularly in Europe.<sup>2</sup>

- Growth persists, but is weaker and more uneven
- Constraints (demographic, environmental, fiscal) are tightening
- Institutions face rising trade-offs and declining trust

This represents an unstable middle ground. Growth still contributes to stability, but less reliably as structural constraints swell. Institutional capacity is intact, but increasingly stretched.

From this position, a failure to stabilise may lead to *Crisis-prone Transition*. From there, a significant tightening of constraints, perhaps manifesting in frequent, overlapping shocks, raises the spectre of *Systemic Breakdown*.

## Looking forward: the strategic question

How can stability be sustained as structural constraints tighten?

This is not purely technical. Economic strategies encode implicit visions of the future, reflecting differing assumptions about the purpose of the economy and how prosperity should be defined and distributed.

Key dimensions include.

- Lifestyles: from high consumption to moderate consumption to sufficiency-oriented
- Technology: from frontier acceleration to appropriate technology to selective technology
- Competitiveness: from efficiency to resilience to collaboration
- Inequality: from tolerance to compression to diminution
- State: from enabler to coordinator to guarantor

## Three strategic pathways forward

From *Strained Growth*, three distinct, deliberate pathways are available, each reflecting a different theory of stability and constraints toward a different future vision.

### *Pathway 1: Uneven Expansion*

*Uneven Expansion* **prioritises the restoration of growth** through market-led mechanisms such as liberalisation, deregulation and capital deepening, while accepting greater dispersion in outcomes. It assumes that growth remains the primary stabiliser and that expanding the economic base will, over time, diffuse broader prosperity.

The implicit future is a high-tech, globally competitive and fast-moving economy, with continued consumption and expansion for those connected to growth sectors, but at the cost of inequality. The state plays a supporting role, enabling markets, attracting capital, stabilising shocks and

redistributing at the margins. Wealth grows, but prosperity is uneven and contested.

However, structural constraints (ageing populations, ecological limits and elevated debt) restrict the extent to which growth can be accelerated. As these constraints bind, gains tend to concentrate in specific sectors, assets and regions, while inequality and volatility increase.

Over time, these dynamics risk undermining the strategy itself. Rising inequality can erode institutional legitimacy and political cohesion, increasing the likelihood of slipping into *Volatile Boom* conditions or *Crisis-prone Transition*. Under tightening constraints, *Uneven Expansion* becomes a high-variance, and potentially high-risk, pathway.

### *Pathway 2: Managed Maturity*

*Managed Maturity* **accommodates moderate growth** within progressively binding constraints. It treats stability as something to be actively maintained through institutional strength and coordination, rather than delivered automatically by growth.

The implicit future is a balanced and predictable economy, underpinned by strong public institutions and infrastructure. Lifestyles emphasise security and quality of life, with reliable access to public goods. Innovation is directed toward societal goals, and the state plays an active role in shaping markets, investing in long-term capacity and managing trade-offs. Prosperity is steady, distributed and institutionally anchored.

This strategy relies on strong institutional capability, long-term policy frameworks and sustained coordination to manage trade-offs between inflation, employment, investment and distribution. Its strength lies in its balance; it neither abandons growth nor depends on its acceleration, instead improving the quality and distribution of economic activity within existing limits.

Its limitation is institutional. It requires a level of state capacity, policy consistency and public trust that is difficult to sustain, particularly in fragmented political environments. Without this, it risks incrementalism and drifting back into *Strained Growth* or *Stagnation with Friction* as constraints intensify.

### *Pathway 3: Low-growth Stability*

*Low-growth Stability* **adapts to heightened constraints** by redesigning economic and social systems to function with minimal or no expansion. It treats stability as the primary objective and reduces reliance on growth as a stabilising mechanism.

The implicit future is an economy organised around wellbeing within limits rather than expanding output. Lifestyles shift toward lower material consumption, supported by greater access to public services, time and community. Technology is applied selectively to support care, sustainability and system efficiency. The state plays a central role in guaranteeing essential goods, services and employment. Prosperity is redefined in terms of wellbeing, equity and resilience.

Stability is achieved through redistribution, provisioning and a stronger emphasis on system performance. The advantage of this pathway is its alignment with structural constraints, avoiding the risks associated with attempting to reignite growth under adverse conditions.

However, it requires a deeper shift in institutional design, the social contract and political expectations. Distributional choices become more explicit, and the absence of growth removes a key buffer that has historically eased trade-offs. While potentially robust, *Low-growth Stability* is the most politically and institutionally demanding pathway to implement.

## Hybrid pathways into the future

Real political economies reflect institutional capacities, electoral possibilities and evolving structural conditions, as well as multiple economic visions and ideologies. The effect is mixed pathways that are sometimes coherent, sometimes contradictory.

Four plausible hybrid strategies exist.

### *Hybrid 1: Uneven Expansion + Managed Maturity*

This **growth-aligned hybrid** pursues growth through liberalisation, capital deepening and sectoral expansion, while simultaneously containing instability through fiscal policy, regulation and targeted redistribution. Growth in sectors such as housing, finance and technology generates momentum and fiscal capacity, while institutions mitigate the side effects of inequality and volatility using central bank activism, macroprudential tools and selective welfare.

Politically, this approach is feasible across electoral cycles as it aligns with existing policy frameworks and avoids fundamental shifts in the social contract. However, under tightening structural constraints, stabilisation mechanisms may struggle to keep pace with asset inflation, inequality and sectoral imbalances. Over time, this tension risks reverting the economy to *Strained Growth* or escalating toward *Crisis-prone Transition*.

### *Hybrid 2: Uneven Expansion + Low-growth Stability*

In this **highly dualistic hybrid**, high-growth, high-return sectors operate alongside a broader system stabilised through redistribution and expanded public provision, partially decoupling social stability from growth. Dynamic market sectors drive growth and fiscal capacity, while redistribution and provisioning maintain baseline stability.

The strategy retains a politically salient growth narrative while recognising structural constraints, enabling targeted decommodification in housing,

health and education without abandoning market dynamism. Its main risk lies in creating a giver-taker dynamic that can entrench social fragmentation. If growth underperforms, fiscal capacity is weakened, redistribution becomes politically contested and the balance between growth and stability may rapidly unravel toward a *Crisis-prone Transition*.

### *Hybrid 3: Managed Maturity + Low-growth Stability*

This **structurally-aligned hybrid** deliberately transitions away from growth-dependence while preserving institutional strength, macroeconomic coordination and expanded provisioning systems. Accepting structurally lower growth trajectories allows policy to shift from maximising GDP to optimising system performance, focusing on resilience and redistribution. Institutions actively manage constraints through coordination, public investment and provisioning networks.

Political feasibility rises as constraints become more visible, but success requires high trust and capable institutions to manage distributional and fiscal trade-offs without the buffer of growth. The strategy demands a reframing of prosperity away from consumption-led expansion and is vulnerable to backlash if perceived as managed decline rather than strategic adaptation. If trade-offs overwhelm institutions, eroding trust and performance, this hybrid risks tipping into *Stagnation with Friction*.

### *Hybrid 4: Uneven Expansion + Managed Maturity + Low-Growth Stability*

This **comprehensive hybrid** integrates growth-oriented dynamism, institutional coordination and structural resilience within a single framework. High-return sectors drive expansion and fiscal capacity, while institutions manage volatility, inequality and imbalances through fiscal policy, macroprudential tools, selective welfare and public provisioning. At the same time, policy seeks to decouple core societal stability from growth, emphasising wellbeing, redistribution and resilience.

Its logic is to sustain momentum where growth remains feasible, use institutional capacity to stabilise the system and progressively redesign economic and social structures for tighter constraints. Growth acts as a stabiliser where possible, but is not the sole source of prosperity. Redistribution, partial decommodification and long-term investment provide a safety net, supported by coordinated governance.

Politically, this approach may offer broad appeal. It retains a growth narrative, reinforces institutional credibility and signals adaptation to structural limits, while allowing flexibility across electoral cycles.

However, it is highly demanding. Success depends on strong institutions, high trust and careful management of competing priorities. If growth weakens, tensions between growth beneficiaries and those reliant on redistribution may intensify. The strategy may also appear complex or contradictory, risking legitimacy if trade-offs are not clearly managed. Misalignment between growth, stability and redistribution could lead to fragmentation or fiscal strain. If this strategy breaks down, the economy may drift into *Stagnation with Friction*, but could fall into a *Crisis-prone Transition* or head into *Uneven Expansion* depending on where the failure occurs and how the political narrative shifts.

## Strategic synthesis

The effectiveness of these hybrids depends on whether they align with underlying structural constraints. But the individual strategies differ in their reliance on growth-led stabilisation or institution-led stabilisation. As constraints tighten, the balance between these becomes the central strategic choice.

- Growth-led strategies remain viable where expansion is credible.
- Institution-led strategies offer resilience where expansion is constrained, but require greater coordination and legitimacy.

Failure to align strategy with conditions risks either over-reliance on growth that does not materialise or institutional overreach that mismatches ambition and capability.

## Designing effective economic strategy

Designing effective economic strategy requires a clear understanding of two interdependent factors: the structural constraints that limit growth and the institutional capabilities that sustain stability.

- Constraints define the feasible operational space
- Institutions determine whether the economy can maintain cohesion under pressure

Growth without institutional capacity amplifies inequality and volatility. Strong institutions without recognition of binding constraints may lead to overreach, wasted investment or political backlash.

Ideological framing distorts strategic choice. Growth-centric or market-led doctrines can downplay ecological, demographic or fiscal limits, treating them as temporary or solvable by technology alone. Conversely, constraint-focused frameworks may underestimate the adaptability of institutions or the capacity of markets to innovate. Both extremes risk misaligning strategy with structural reality, prioritising political appeal over functionality. Ideology can also influence the perceived role of the state, the acceptable level of inequality and the prioritisation of sectors, further complicating assessment.

Improving understanding requires integrating multiple sources of evidence and analytical approaches. Quantitative modelling of constraints provides a baseline for what is feasible. Scenario planning and stress testing allow exploration of trade-offs under alternative futures. Institutional audits and capacity assessments identify operational strengths and vulnerabilities. Cross-disciplinary insights help connect structural limits with human and organisational responses. Finally, maintaining institutional flexibility

ensures that strategies remain resilient as constraints evolve and shocks occur.

Failure to integrate these insights risks pursuing growth or stability in ways that are fundamentally misaligned with the system's capacity to deliver long-term prosperity.

## The bottom line

In the past, growth has reliably delivered stability, but that relationship is becoming less predictable. In a more constrained and volatile environment, stability must increasingly be designed through a combination of growth, institutional capacity and distributional choices.

The *Stability–Constraints Matrix* does not prescribe a single path. It clarifies the strategic landscape.

The key uncertainties are:

- how binding constraints will become
- how durable growth will be
- how capable institutions are of managing trade-offs

Economies that align their strategies with these conditions are more likely to sustain performance and cohesion.

The central shift is from treating stability as a by-product of growth to treating it as an outcome that must be actively produced and maintained.