



## From Growth to Wellbeing - by GIZ & Partners

What would a move from economic growth towards wellbeing mean for development?

### Economic growth as an indication of development

The modern history of development has been fundamentally shaped by a growth-first paradigm. Since World War II, most countries around the globe have been using economic growth—mainly measured in terms of gross domestic product (GDP), as an indication of their “success” and “progress”. Governments and institutions have been considering economic growth the most powerful instrument for generating prosperity, alleviating poverty, improving living standards and rising incomes. By pursuing economic growth as their primary mean for economic development, they are often required to choose between promoting GDP and prioritising other factors, including social and ecological wellbeing. As a result, they evaluate economic policies by their impact on promoting economic growth which leads to flawed conclusions on a country’s economic performance.

Yet, the current socio-economic and environmental challenges, such as the widening inequalities, climate change, and social and political instability prove that the narrow perspective of conventional economic growth is insufficient to address our current needs for economic development that includes social and ecological wellbeing. The reason is that it does not account for vital areas of life like health, education, or the state of the environment. Experts have warned that the lack of focus on environmental degradation has steered economic policy and investment in harmful directions, such as the reliance on fossil fuels. Even in terms of other crucial aspects of the economy, it ignores how sustainable our economic activities are. As the Nobel winner Joseph Stiglitz has explained “an economy that uses its resources more efficiently in the short

term has higher GDP in that quarter or year. Seeking to maximize that macroeconomic measure translates, at a microeconomic level, to each business cutting costs to achieve the highest possible short-term profits. But such a myopic focus necessarily compromises the performance of the economy and society in the long term”.

The limitations of economic growth and GDP as an indication of economic development have become even more striking in today’s more complex world of rising income inequalities and profound pressure on the physical environment and require a new approach to economic development.

### A beyond-growth approach to development

As the world faces profound economic, environmental, and social challenges, many of the policies implemented over the last forty years are no longer able to improve economic and social outcomes in the way they have initially intended. The need to redefine development in order to include factors like social and ecological wellbeing facilitated the introduction of an alternative approach to “progress” and “success”. A beyond-growth approach would fundamentally transform our conception of development by evaluating societies’ “success” by their level of social and ecological wellbeing rather than by their level of production and consumption.

In order to achieve this, governments and institutions ought to prioritise the needs of people and the planet, know what matters to their communities, what improves their wellbeing and how our economy could provide that. Several countries around the world have adopted this approach and offer pioneering examples of redefining development.

## Examples of alternatives notions of development

Although much of the beyond-growth debate and Wellbeing Economy movement seems to be concentrated in the Global North, it is deeply inspired by alternative development paradigms such as Buen Vivir in Latin America, Ubuntu in Southern Africa, and Swaraj in India that represent a holistic vision of wellbeing. Higher-income countries have lessons to learn from the Majority World that builds economic systems which foster values like care, living in harmony with oneself, society, and nature, and adopt practices against commodification. Hence, we are increasingly seeing a movement globally with development organisations, practitioners and thinkers joining the call for new metrics of progress and development.

For instance, Costa Rica has had a long democratic history of leaders who have made wellbeing a government priority. The country often stands out as a unique development story and is considered a global leader for its environmental policies and accomplishments. Despite its relatively low GDP and the fact that it is using a quarter of the resources typically used in the Global North, Costa Rica is ranked among the best performers on the Social Progress Index and it is the only tropical country in the world that has reversed deforestation.

Similarly, in the Andean countries of Ecuador and Bolivia, the prioritisation of harmony with nature over economic growth and the contemporary conception of economic development has been enshrined in law. The government of Ecuador has developed a Wellbeing Vision based on the concept of "Buen Vivir" (translated as "living well together"), which was integrated into the Ecuadorian constitution in 2008, and the Bolivian Constitution of 2009 recognised Buen Vivir as a principle to guide state action. By doing so, both countries have reshaped the purpose of public policy and guiding principles of national planning.

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In conclusion, as Robert Kennedy has said "GDP measures everything, except that which makes life worthwhile". To address this gap, many hundreds of alternatives for measuring economic success have been suggested: the Human Development Index, Sustainable Development Goals (SDGs), Genuine Progress Indicator, Ecological Footprint, Happy Planet Index, Adjusted Net Savings, Comprehensive Wealth, and the Inclusive Wealth Index. A wellbeing approach will require considering these alternative measures of success in order to transform our notion of development.