



From Growth to Wellbeing - by GIZ & partners

Factsheet for Podcast: Why should we move from Economic Growth to Wellbeing?

Growth as an insufficient measure of development

Governments and institutions across the world rely on economic growth rates, often exclusively measured in terms of their Gross Domestic Product (GDP), to monitor their country's success. Yet, GDP as an indicator of progress disregards significant areas of a nation's economic activity and its population's quality of life, such as socio-economic inequalities, environmental stability, physical and mental health, happiness, or resiliency. The Nobel Prize winner, Joseph Stiglitz, has urged to recognise the limitations of GDP as a measure of wellbeing and questions its ability to provide a good measure of living standards. Referring to this phenomenon as "GDP fetishism", he explains that GDP statistics seem to suggest that the economy is doing better than most citizen's own perception, and that the focus on GDP creates conflicts as citizens might demand attention to be paid to the reduction of pollution for instance, which might consequently decrease GDP growth.

It is also acknowledged by numerous leading thinkers that growth has been measured narrowly, as multiple hidden costs have been masked in our societies and are now culminating with the socio-economic and environmental crises of our time. Governments are, therefore, called to respond to negative externalities generated by the current economic system and its dependence on growth. As the prevailing economic model causes a lot of damage to people and the planet, it creates demands which are avoidable. This has been termed by some analysts as 'failure demand' - the need for governments to respond to the damage, with its inevitable costs, created by the current economic system and including widening economic inequalities; high levels of insecurity; and the prospect of catastrophic cli-

mate breakdown and biodiversity loss.

According to the 2022 World Inequality Report, income and wealth inequalities have significantly increased at a global level since 1980 between and within countries⁵. The same report has found that the poorest half of the global population barely owns any wealth at all, possessing just 2% of the total, whereas the richest 10% of the global population own 76% of all wealth.

At the same time, gender income inequality remains a persistent global problem. According to the International Labour Organisation, it is estimated that women on average continue to be paid about 20% less than men across the world. This income disparity in the average wages between men and women persists in all countries and across all sectors, as women's work is regularly under-valued and remunerated less, not least because women tend to be concentrated in certain professions. This could also be seen during the Covid-19 pandemic with women losing their livelihoods faster because they were more exposed to hard-hit economic sectors.

In addition to the socio-economic inequalities, economic growth disregards its effects on the natural environment and the unprecedented impacts of climate change. According to the Living Planet Index, the planet's biodiversity continues to decrease at an alarming rate, while extreme temperatures, droughts and wildfires increase^{9,10}. This degradation of the ecosystems that sustain all life on the planet, has also a significant impact on the global population's health and economic security. For example, the World Health Organisation estimated that 7 million deaths are linked to high air pollution levels every year, and the World Bank has warned that by 2030, between 68 million to

132 million people will be living in poverty as a direct result of climate change.

Examples of governments and institutions shifting from growth to wellbeing

Governments and institutions around the world recognise the need to develop more holistic conceptions and measures of progress for their citizens. The approach they choose might differ from one another, based on their unique socio-economic, environmental and cultural backgrounds, it aligns, however, with their common vision to move from the fixation on relentless growth towards an economic system that supports prosperity and environmental protection. A number of countries have been exploring the feasibility to measure socioeconomic in a wider manner.

New Zealand introduced in 2019 the country's first Wellbeing Budget, committing to putting people's wellbeing and the environment at the heart of their policies. The Budget is designed around identified wellbeing priorities and uses social and environmental indicators, alongside economic and fiscal ones, to inform the Government's investment and funding decisions.

"The purpose of government spending is to ensure citizens' health and life satisfaction, and that – not wealth or economic growth – is the metric by which a country's progress should be measured. GDP alone does not guarantee improvement to our living standards and does not take into account who benefits and who is left out." – Jacinda Ardern, Prime Minister of New Zealand

Another example of a country that pioneered the focus on wellbeing is Bhutan which created a Gross National Happiness index to gauge the wellbeing of its citizens. In the 1970s, Bhutan adopted Gross National Happiness (GNH) as its development philosophy and measurement tool which articulates the purpose of the economy to be happiness rather than economic growth. Since then, GNH has directly influenced the country's economic and social policy, and Bhutan has considerably improved its economic, environmental, social and governance state in the past four decades.

Various cultures across the world have historically had wellbeing embedded in their society as a guiding principle. For example, Buen Vivir, which can be translated

as „living well together“ and originates in indigenous cosmology in Latin America, is a living practice that represents the fullness of life rooted in community, ecology, and land, and also stands against the commodification of their cultures to preserve their indigeneity. Both Ecuador and Bolivia have enshrined Buen Vivir in their constitutions and have undertaken constitutional and regulatory reforms to reshape the purpose of public policy and the direction of economic development.

The beyond-growth movement

The beyond-growth movement comes under many different terms which share a common recognition that economic growth-oriented policies and practices are undermining our collective wellbeing and have made us lose sight of societies' real goals and challenges.

Post-growth, for instance, is a worldview that sees society operating better without the demand for constant economic growth. It proposes that widespread economic justice, social wellbeing and ecological regeneration are only possible when money inherently circulates through our economy.

Similarly, degrowth is an idea that critiques the global capitalist system which pursues growth at all costs, causing human exploitation and environmental destruction. The degrowth movement advocates for societies that prioritize social and ecological wellbeing instead of corporate profits, over-production and excess consumption. This requires radical redistribution, reduction in the material size of the global economy, and a shift in common values towards care, solidarity and autonomy. Degrowth means transforming societies to ensure environmental justice and a good life for all within planetary boundaries.

The Wellbeing Economy movement argues that we need to move beyond GDP and start designing and evaluating our economy's performance by its contribution to our social and ecological wellbeing. It is based on the recognition that economics and business practices need to be reoriented to what an economy should actually deliver: an equitable distribution of wealth, health and wellbeing, while protecting the planet's resources for future generations and other species. Therefore, a Wellbeing Economy is designed with a different purpose: it starts with the idea that the economy should

serve people and communities, first and foremost.

In this context, Wellbeing Economy requires a policy shift in the development of economic policies from promoting economic growth, to promoting the wellbeing of our people and planet. This shift requires rethinking many of the standard economic approaches. Economic modelling for instance could importantly benefit from a better incorporation of social and ecological aspects to inform policy making. Some countries are already actively working on this. Amongst others in Latin America, where the Economic Commission for Latin America and the Caribbean (CEPAL) has estimated different rates of growth associated to different constraints and the so-

cial and environmental trade-off associated with them.

The way we produce and provide for one another is influenced by our geography, history, culture, values, policies, and priorities, and these factors need to be better reflected in a country's economic model and the way it measures development and progress. This underscores that the economy is not an abstract parallel system but an integral part of the wellbeing of people and planet. Furthermore, this recognition can encourage the participation of citizens in economic policy making, strengthening democratic influence, making sure that the economy serves societies and the people who comprise them.

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Sitz der Gesellschaft
Bonn und Eschborn

Dag-Hammarskjöld-Weg 1-5
65760 Eschborn, Deutschland
T +49 61 96 79-0
F +49 61 96 79-11 15

E info@giz.de
I www.giz.de

Verantwortlich/Kontakt:
GIZ Competence Center Economic Policy, Private Sector Development
economicdevelopment@giz.de

Fotonachweise:
Siedepunkt kreativagentur GmbH

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