



# ABSTRACT

## MEASURING GROWTH

THIS IS NOT ECONOMIC GROWTH

Economic growth as a concept is deeply riddled with problems. The word growth implies that there is a thing getting bigger, but the economy is not a thing – it's a complex network, untold numbers of products and services, some of which will expand while others decline, some emerge and some fade.

As such, GDP is a principally impossible attempt to quantify all of this. Economical growth as it is presented by GDP is thus a grossly distorted picture of the economy. This is nothing new, and the shortcomings have been discussed by economist and statisticians for many years (a good summary of these technical problems can be found in work of the Sarkozy Commission).

In spite of these problems, GDP is still widely used to compare the development of societies across nations and time, because as incomplete as it might be, it is at least partly correlated to parameters relevant for human well-being, like the consumption of everything from household goods to vacations, investment in infrastructure, production and education, improvement in health and lifespan, and higher welfare and employment.

### THE PROBLEM WITH GDP

GDP is fundamentally the tallying of goods and services traded on a market. The first problem is that many factors aren't included in the market economy; such as unpaid household work, transfer payments.

Secondly, the consumption of finite resources is counted as an addition to production, but not as a depletion of reserves, while externalities such as pollution and the destruction of eco systems aren't accounted for. Neither are social matters like stress, crime, loneliness and marginalization.

GDP also does not account for the distribution of wealth, so rising GDP might reflect a select few getting enriched while living conditions are lowered for the majority of the population.

### NEW MEASURES OF GROWTH

Growth is nothing in itself. The question is what is growing, and how do we measure it.

A number of new measures of progress are entered the public agenda. Among the more influential is NEF's Happy Planet Index and the Ecological Footprint. The aforementioned Sarkozy Commission is an indicator of recent distrust of GDP as a comprehensive indicator of human well-being, and similar initiatives are implemented in both Germany, Canada and the World Bank.

On the operational level, there might be technical discussions on what to include and how to weight it, but on the principal level there is a deeper discussion on which direction we want to take society, on the relation between humans and nature, and between present and future.