# Economic Growth

We have become so familiar with Gross Domestic Product as the de facto measure of economic growth. Per capita figures are used to measure development and year-on-year GDP growth is an assumed indicator of economic boom - but is this concept, whose usefulness was questioned even by its inventor Simon Kuznets over 85 years ago, really the best at our disposal? In the wake of the 1944 Bretton Woods conference, GDP has gone largely unchallenged as our tool for supposedly measuring just how much 'stuff' a given economy is producing. There have, however, been critics who champion other metrics - Nobel prize-winning economist Amartya Sen pointed out the lack of correlation between GDP and quality of life improvements, while a rising tide of environmentalists point out the damage it fails to account for.

Step forth, GPI. The 'Genuine Progress Indicator' seeks to replace GDP with a more rounded figure, one which accounts for environmental and social factors. For one, GPI promises to solve the broken window fallacy - where output can increase despite no net change in welfare. Taking pollution as an example, GDP increases when pollution is created as a side-effect of an industrial process, and again when it is cleaned up; conversely GPI counts negative production externalities as a loss - one which can later be balanced out by the cost of a cleanup operation, such that pollution is not taken as a positive contributor to growth. While assigning monetary values to environmental issues is difficult, the notion of polluters internalising their externalities could prove a valuable tool in the struggle against climate change.

Perhaps then, there needs to be a fundamental shift in how we think about economic growth. In fact, a concept in the late 90s emerged to challenge the presiding theory - the aptly named uneconomic growth. It describes "increases of production that come at an expense in resources and well-being that is worth more than the items made" according to its creator Herman Daly. In economic terms: when the marginal cost of extra growth exceeds the marginal benefit, we transition from economic to uneconomic growth - considered to be damaging both socially and environmentally. By delving deeper into regenerative economics we can better understand how growth at the optimal scale might look. By shifting our perspective of the Earth such that we consider them our 'original capital asset', the economic system finally integrates the need to maintain our planet's value and, in a sense, solves the market failure that Daly termed uneconomic growth.

While academic economics is busy becoming accustomed to a more pluralistic approach to growth and progress measurement, 'Corporate Social Responsibility and 'ESG' are the new buzzwords of the world's biggest companies. In 2018 Futerra, a sustainability strategy agency conducted a survey where they found that 88% of consumers want brands to be more environmentally friendly and ethical. What is evident is that climate awareness is trendy: we are now at a point where companies must heed Environmental, Social and Governance (ESG) factors in their plans otherwise their customers threaten to go elsewhere. Under two decades old, the ESG movement now represents more than $30 trillion in assets and companies with a strong ESG track record show some of the best financial performances and resilience. The market for green bonds has topped $1 trillion as of 2021, and financial institutions are increasingly putting their money where their mouth is with sustainability and ESG-linked investments.

The shift in business mentality mirrors the trend towards alternative indicators for development and growth. GDP, while a handy statistic, rarely tells the full story; there's a reason why ostensibly forward-thinking countries like New Zealand have ditched it for happiness and wellbeing indices. It appears that a small change in perspective can recouple the idea of economic growth with real social and environmental progress - and what is the point in the former without the latter?

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