

Rethinking economic growth

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In many countries, economic growth remains at the heart of economic strategies. Measures to promote inclusion and equal opportunities are often relegated to the background. However, various studies show that economic growth does not automatically lead to greater prosperity for all. Key issues such as multidimensional poverty, unequal income distribution and high resource consumption are often overlooked. This prompts the question as to whether economic growth should indeed be the primary objective or whether it is perhaps time to view progress and prosperity from a different angle.

Can poverty be overcome through growth?

The idea that poverty can be tackled through economic growth and subsequent redistribution alone is too limited. Traditional strategies rely primarily on gross domestic product as the main indicator. However, this approach ignores crucial dimensions of poverty, such as the lack of access to education, the impact on health and limitations pertaining to human rights. At the same time, reality shows that despite economic expansion in many countries, extreme poverty remains a global problem. According to the World Bank, around 575 million people are still expected to live in extreme poverty by 2030. In addition, despite this growth, it has not been possible to create a sufficient number of jobs. For a long time, the prevailing assumption was that economic growth was necessary in order to absorb the workforce released by rising productivity and, in doing so, combat poverty. However, in recent years, the UN Human Rights Council is just one of many institutions that have pointed out the link between GDP growth and employment rate is becoming increasingly weak. For example, the correlation between economic growth and employment growth in the OECD countries has sat at just 0.34

since 2012, a clear sign that growth is becoming less and less decisive when it comes to creating jobs.

Inequality despite growth

Economic growth does not necessarily mean that all populations benefit equally. According to the World Inequality Report, the income gaps between the richest 10% and poorest 50% of the world's population more than doubled between 1820 and 2020. In addition, income inequalities vary significantly between regions: In Europe, around 36% of total income is accounted for by the top 10%, while in the MENA region it is 58%. Noteworthy here is the fact that the national average income says little about actual distribution. Even in high-income rural areas there are major differences: While there is a high degree of inequality in the US, Sweden shows a relatively even distribution. The same applies to low-income or medium-income countries such as India and Brazil, which have extreme inequality despite their economic development. This implies that: inequality is not a natural law, but the result of political decisions. The distribution of wealth varies greatly depending on political orientation, regulation and structure of the welfare state. Brazil provides an illustrative example: Between 2017 and 2022, income growth was centred especially around the wealthiest 0.1% of the population; around 150,000 people almost doubled their income during this period, achieving an average monthly income of around USD 90,000. By contrast, 95% of the population had an average monthly income of around USD 465, which corresponds to an increase of 33%, only slightly above the inflation rate of around 30%.

Environmental damage

Economic growth goes hand in hand with a massive increase in energy and resource consumption that is unsustainable in the long term: Global resource consumption has quadrupled since the 1970s, and it is expected to increase by a further 60% by 2060. Furthermore, the 2019 Global Assessment Report on Biodiversity and Ecosystem Services estimated that 75% of land and 66% of marine areas have already been significantly altered due to human activity. Over 85% of wetlands have been lost, and around 1 million species could be threatened with extinction in the next few decades.

Conclusion

The criticism of economic growth focuses on three main points: the lack of sustainable strategies to alleviate poverty while respecting human rights, increasing inequality and environmental exploitation. In view of this, development cooperation should also critically question the growth paradigm and consider alternative economic models. One such alternative is the Beyond Growth approach initiated by the United Nations, which requires a fundamental rethink of international development policy. The approach recommends taking greater account of social development and sustainable wellbeing and targeting projects to this end. Progress should be measured not only by economic factors but also by social and environmental criteria and human-rights-based indicators. Another key aspect of this approach is redistribution to reduce inequalities through progressive tax systems. The revenue is intended to finance universal basic services that are accessible to all, regardless of economic capacity. ■