Is GDP Taking Us Beyond Our Limits?

We are living in an era of "Great Acceleration" which leads to global warming, growing income inequality, water scarcity, and continued deforestation. Andreas Budiman looks into two key publications that pave the way to a more sustainable development, as well as the path forward.

When Neil Armstrong walked on the moon in 1969, everyone watched in awe. It seemed like nothing was beyond the reach of human progress. But in 1972, a clarion call sounded. The Club of Rome released its landmark report "The Limits to Growth", based on groundbreaking research by the **Massachusetts Institute of Technology** (**MIT**). For the first time, many began to doubt whether economic growth could or should continue indefinitely.

50 years on and four million copies later, some progress has been made, but you could argue that our present situation is worse. From global warming to growing income inequality, water scarcity, and continued deforestation, the world is facing the first consequences of surpassing the limits to growth. As a result sustainable development has become mainstream. But is it enough? Can we make the necessary changes when we are still so singularly fixated on growing the Gross Domestic Product (GDP)? Is GDP anchoring us to a path of further environmental, economic, and social deterioration?

The Limits to Growth

"If the present growth trends in world population, industrialization, pollution, food production, and resource depletion continue unchanged, the limits to growth on this planet will be reached sometime within the next one hundred years. The most probable result will be a rather sudden and uncontrollable decline in both population and industrial capacity", reads The Limits to Growth book.

By the time it was published in March 1972, the developed world had enjoyed an unprecedented period of economic growth, global warming was a little-known theory, and the 1973-74 oil shock was yet to happen. So when the book was released it stirred up quite the controversy. The idea that GDP growth could not continue forever seemed preposterous.

An article from the New York Times called it a "public relations stunt". A team from the University of Sussex called it a "model of doom". He and other economists argued that the book drew an obvious conclusion from overly simplistic assumptions: it underestimated technological advances, ignored slowing population growth with rising incomes, and ignored the rationing power of prices.

But 50 years on, the UN is holding a conference from 2 to 3 June to celebrate The Limits to Growth as a groundbreaking book, after more and more evidence has attested to the foresight of its computer modeling. Climate change, soil degradation, declining biodiversity, rising income inequality, and the move to marginal oil fields like the Canadian oil sands, all show a growing pressure on the biosphere. At the same time, technological change and markets have not been able to hold back the tide.

The need for Sustainable Development

The Limits to Growth's main point was not that collapse was inevitable but that humanity could and needed to take action, "to alter these growth trends and to establish a condition of ecological and economic stability that is sustainable far into the future."

But in the immediate decade following its release, this key message was drowned out by criticisms, and valuable time was lost.

The 1972 UN Conference on the Human Environment (also known as "the Stockholm Conference") highlighted many of the issues raised by the report, and elevated environmental protection on the international agenda, but it took another 15 years and another landmark publication for the idea of sustainable development to break through and governments began to take real action.

In 1987, the UN's World Commission on Environment and Development published the Brundtland Report, calling for a new model of development "that meets the needs of the present without compromising the ability of future generations to meet their own needs."

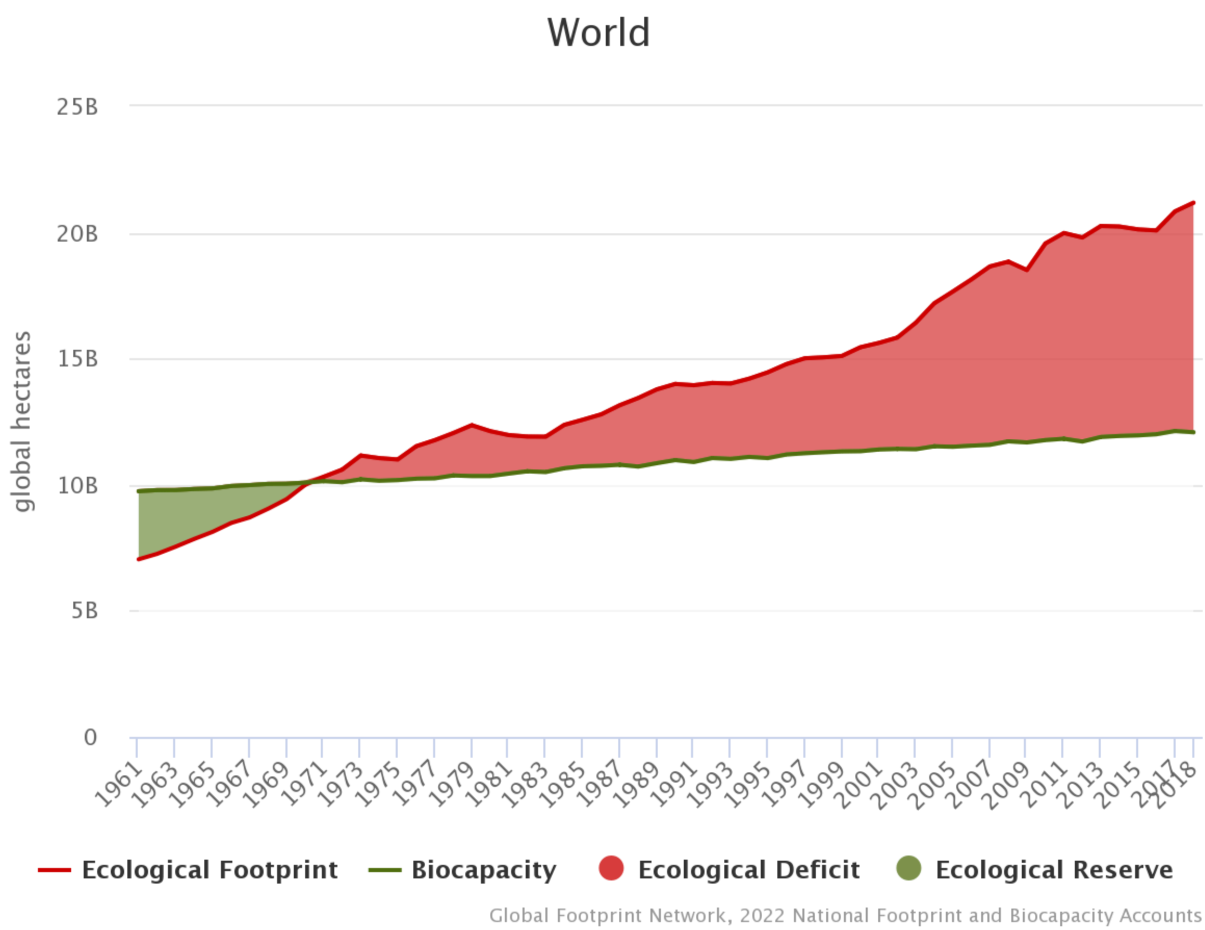
The report identified the unequal level of development between the global North and South as the main cause of environmental degradation: the North was profligate with its natural resources while the South suffered from underdevelopment and needed help to develop sustainably.

The report also called for a return to multilateral action in the spirit of Stockholm 1972, with the global North and South coming together to create a "common future" through sustainable development.

This time the world was ready to listen. The hole in the ozone layer had been discovered in 1985, the world had awakened to the rapid deforestation of the Amazon, and shortly later, in 1989, the Exxon Valdez oil spill in Alaska would have shocked public opinion globally.

The momentum around the Brundtland report led to the Rio Earth Summit in 1992, the annual COP meetings on climate change, the Kyoto Protocol and the Paris Agreement. It also led to the creation of the UN Commission on Sustainable Development in 1992, the Millennium Development Goals (MDGs) in 2000, and the Sustainable Development Goals (SDGs) in 2015.

Despite these achievements, 35 years on it appears we are still far from turning the recommendations of the Limits to Growth and the Brundtland report into reality: we are struggling to keep global warming below 1.5 degrees by 2050, deforestation in the Amazon is at record highs, our oceans are filling with plastic, and the gap between our ecological footprint and the earth's biocapacity continues to grow.



We are in an ecological deficit that only appears to widen despite our improving efforts toward sustainable development. The limits to growth are starting to bite.

Beyond GDP

If we are to move beyond the trend of growing ecological deficit, we must pick up our anchor and sail in a different direction. That anchor is GDP. For decades, we have been holding GDP up as the main economic yardstick. This locks us into a mindset where any reform or change must be measured against past, current, or future economic growth. The environment, equality, and social cohesion have been regularly sacrificed for the sake of extra GDP. Today, we need better indicators with a much broader set of goals to guide us through the main problems of our time.

The good news is that the EU and many other states are looking to move beyond GDP. The EU has made the search for a new indicator part of its 8th Environmental Action Plan (EAP, article

3e). There is also an opportunity to elevate the goal of economic wellbeing in the EU economic governance review.

The MDGs and SDGs demonstrate that nations can use other indicators beyond GDP to guide their progress. The EU has also developed the Transitions Performance Index.

The “Doughnut Economy’ model theorised by the economist Kate Raworth's has also gained ground, and with it, the idea that humanity needs to boost wellbeing for all within the natural boundaries of our planet. The model represents the economy with two concentric rings that look like a doughnut: an inner ring that represents the minimum social foundation for human society, based on the SDGs, while the outer ring represents the ecological boundary that keeps our development sustainable.

In the journey from the limits to growth to sustainable development, it is time for the EU to put a doughnut at the centre of its economy.