

From growth to 'beyond growth': Concepts and challenges

SUMMARY

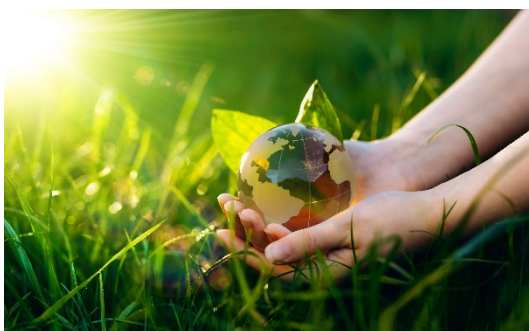
Economic growth brought widespread prosperity in the post-war era. It contributed to rising living standards, reducing poverty and increasing tax revenues to fund public policies. However, the focus on growth has increasingly been criticised for overlooking negative social and environmental impacts. The debate on going beyond growth aims to steer policy-making towards multiple economic, social and environmental goals rather than treating growth as an end in itself. While a part of this debate focuses on indicators (beyond GDP), other ideas explore the options for new economic narratives around growth and eventually bringing about a systemic shift and fundamental transformation.

A number of approaches have been proposed in the debate on growth – for instance, green and inclusive growth, post-growth and degrowth. Alternative policy frameworks have also been created, such as Doughnut Economics and Sustainable Development Goals, to bring multidimensional goals into policy-making.

The EU has come up with a number of policy initiatives supporting green and inclusive growth, most recently the European Green Deal and the European Pillar of Social Rights. These are accompanied by social and environmental indicators that are increasingly used in assessments of legislation, forecasting and even the cycle of economic governance. National and regional initiatives have also been implemented.

As Europe, along with a number of other advanced economies, has been experiencing a period of low growth and sees itself confronted with the climate challenge, the debate on rethinking economic narratives to move towards a more multidimensional conception of socio-economic progress has seen renewed interest.

This briefing has been prepared ahead of the Beyond Growth 2023 conference, taking place in the European Parliament from 15 to 17 May 2023. It is complemented by a more extensive study, [Beyond growth](#).



IN THIS BRIEFING

- Growth: Evolution and importance of a concept
- Criticism of growth
- Beyond growth: Alternatives and challenges
- EU policy-making and initiatives to move beyond growth
- The Green Deal: Part of the growth paradigm or already beyond?
- Outlook

EPRS | European Parliamentary Research Service

Authors: Agnieszka Widuto, Clément Evroux and Stefano Spinaci

Members' Research Service

PE 747.107 – May 2023



Growth: Evolution and importance of a concept

With the development of political economy since the Enlightenment, the handling of the economy has been at the centre of academic and societal deliberations. In his [Inquiry into the nature and causes of the Wealth of the Nations](#) (1776), Adam Smith wrote: 'the annual labour of every nation is the fund which originally supplies it with all the necessaries and conveniences of life which it annually consumes, and which consist always, either in the immediate produce of that labour, or in what is purchased with that produce from other nations'.

Growth is far more, however, than a macroeconomic concept. Taking a broad perspective, it can also be regarded as a paradigm – a holistic 'worldview' – underpinning the rise of modern industrialised society and the modes of production and consumption that modern economies entail. At the opposite end of the spectrum, and in a very narrow sense, growth is often regarded as synonymous with its key indicator, the calculation of gross domestic product (GDP).

In the macroeconomic perspective, the growth of the economy has been seen as the main enabler of wealth, driven by investments in labour and capital as well as improvements in the organisation of production (division of labour) and innovation. Economic growth fundamentally transformed European economies and societies. Whereas in 1800 the majority of the workforce in continental Europe was working in agriculture, less than 5 % of the active population in the EU is still [employed](#) in the agricultural sector today. As a consequence, whereas the absolute majority of the population in what is now the EU was living in rural areas in 1800, the overall majority of today's citizens live in towns and cities. This change was accompanied by a wide array of socio-economic evolutions, for example the development of employment frameworks (such as the labour [contract](#)) or the progressive [inclusion](#) of women in the labour market.

Growth also facilitated the development and deployment of technological innovations, such as those in the field of transport, thus offering further mobility to the production factors, capital and labour. While there are differences over how to calculate precisely the macroeconomic impact of general purpose technologies such as the [steam engine](#) and [electricity](#), it is clear that these technological developments have contributed to growth, leading to, and benefiting from, significant investment in [infrastructure](#).

The rise of our modern economies was accompanied by a focus on public institutions, such as education. Growth was spurred by the progressive development of the rule of law and safeguarding of individual and collective freedoms across Europe. [Education](#) is crucial for ensuring the collective skills to transfer and apply new knowledge across time and space. According to a 2019 [statement](#) by the Secretary-General of the Organisation for Economic Co-operation and Development (OECD), 'one additional year of schooling in all society increases GDP per capita by around 12 %'.

As highlighted in a 2018 OECD [report](#), economic growth has been a central objective of economic policy over the past 70 years. While historically the relationship between economic growth and human development (as measured through a methodology including consumption, leisure, mortality and inequality)¹ has generally been seen as [positive](#), this link is not absolutely linear. Over time, a singular focus on growth has increasingly been criticised for neglecting or even damaging the planetary footprint of human activities, and failing to take into account questions over inequality and the distribution of wealth.

Criticism of growth

While it accelerated sharply in the post-war years, criticism of the notion of growth is nothing new. Classical economists outlined the existence of a long-term stationary state where any further investment in labour or capital would be matched by less than commensurate output. Prominent writers such as Adam Smith, David Ricardo and John Stuart Mill identified and included in their economic works an obstacle to an infinite economic expansion, 'the [stationary state](#)', though with different perspectives.

Criticism of the failure of growth both as a paradigm and as a macroeconomic concept to prevent negative externalities for the environment and climate received widespread recognition with the 1972 'Club Of Rome' [report](#) on the limits to growth,² which highlighted the physical dimension of the economy, pursuant to the basic laws of physics such as thermodynamics.

This was accompanied by increasing scientific research allowing for a better understanding of the physical [boundaries](#) of Earth, the complexity of Earth's system, and the impact of economic activity as a whole on this system, notably in terms of resource depletion and pollution. Science enabled the gradual embedding of Earth and its boundaries into economics, and investigation of the effects of consuming limited resources of different kinds, tangible and intangible (such as raw materials and Earth orbits), and of the effects of pollution and other releases into the environment (such as greenhouse gases). These perspectives contributed to rising criticism of consumerism, understood as the maximisation of consumption of an ever bigger amount of goods and services as one of the main objectives of public policy.

In 2009, the first publication of the notion of the '[planetary boundaries](#)' framework provided a holistic view of the effects of anthropogenic perturbations on nine biophysical processes underpinning a state of the planet which can ensure for certain the existence of contemporary human societies. While the integrity of at least three boundaries is at high risk (nitrogen, phosphorus and genetic diversity), the measurement and understanding of the functioning of other boundaries requires further knowledge. In the 2023 synthesis [report](#) on the IPCC sixth assessment report, the authors point out the risk of negative retroaction from the adverse climate impacts to the growth rate. According to a 2022 World Bank [study](#), over the past two decades total material use in the EU has decreased by 9.4% and the share of resources derived from recycled waste has increased by almost 50%. However, more than 87% of EU resource consumption still comes from primary materials, and overall [EU waste generation](#) keeps increasing. In the near future, the EU's capacity to promote sustainable competitiveness through the uptake of the circular economy model will require a wide range of policy initiatives, to secure the most critical [resources](#) for the continuity of the EU's economy and society while empowering EU society as a whole to get involved.

Growth has also been discussed in the context of the distribution of income and wealth, which became an increasing concern for policy-makers in relation to unemployment and inequality. A recent [paper](#) on the topic concluded that there is an 'absence of an obvious and automatic correlation between the GDP per capita' and the evolution of wealth inequality between 1820 and 2010 across the planet. The growth of GDP in itself does not necessarily correspond to rising wealth for all citizens (see box below). The topic of rising inequalities in societies and redistribution of wealth has been the subject of fierce debate. A book by economist Dani Rodrik³ noted: 'Historically nothing has worked better than economic growth in enabling societies to improve the life chances of their members, including those at the very bottom'. However, the level of welfare is not automatically determined by the rate of growth. As shown in the research [endeavour](#) by Piketty, Landais, Saez and Zucman, income and wealth inequalities also respond to a specific set of social preferences on redistribution, as well as the nature of the component of economic growth.

Beyond the topic of redistribution, the impact of growth on individual welfare is also dependent on education and skills, and technological change more widely. According to a 2017 International Monetary Fund [paper](#), the impact of technological change in the past three decades is so intense that it has contributed to the declining share of labour in income distribution, especially in the advanced economies. The rate and direction of technologically led growth produces several possible [distributional effects](#) across the economy and society. They show the importance of a skilled workforce to facilitate the absorption of such technological change, which can either replace or modify the tasks assigned to workers.

Very recently, according to the 2022 United Nations Economic and Social Committee [report](#), the consequences of the COVID-19 pandemic and of the Russian war of aggression in Ukraine are putting at risk the reduction of inequalities among countries that has been achieved during the past

two decades. Such shocks are also putting at risk the objective of keeping inequalities under control in each country. According to OECD [data](#), in 2021 at least nine EU Member States had a higher Gini index than in 1989.

Gross domestic product (GDP) - Indicator of growth and central policy goal

Definitions: Economic growth refers to an increase in the size of the economy over time. It is measured through the GDP indicator, which tracks the total value of goods and services produced. GDP per capita is commonly used as an indicator of living standards and development. Boosting GDP is a central policy goal, as doing so is believed to solve a wide range of policy problems, bringing more employment, higher incomes, and improved social outcomes such as health and education.

History: The modern system of national accounts was created in the 1930s in the United States, first to help overcome the Great Depression and then as a tool to support economic production during World War II. The United Nations System of National Accounts institutionalised the measure in the 1950s, with periodic revisions of calculation methods since then.

Positive sides: GDP is a statistically reliable indicator with an established methodology. It enables cross-country comparisons of economic performance. Values are published regularly and frequently, which makes GDP a useful policy-making tool in both the short and long terms. As it is expressed as a single number, it is easily understood by policy-makers, media and the public. The message it sends about the state of the economy is simple - going up in good times and down in bad times.

Negativesides: GDP does not reflect social and environmental costs of growth. Nor does it capture social and regional inequalities. The GDP figure alone does not provide information on income distribution or which sectors of the economy have grown. It does not include non-market phenomena, such as household work, volunteering and family care. Paradoxically, it may count socially harmful situations as good for growth, for instance increased spending on fighting crime or addressing environmental pollution.

GDP and the growth-based paradigm: The pursuit of rising GDP promotes a growth model based on increasing production and consumption. In addition to social and environmental externalities, it promotes materialism, consumerism and wastefulness. This can lead to perverse incentives for unsustainable production, exploitation of natural resources, rising numbers of precarious jobs and increased rather than decreased consumption. Its central place in policy-making gives it a privileged position in comparison with other policy goals. This leads to a situation where the economy always comes first, while environment and social well-being are seen as secondary. GDP calculations, while seemingly objective, are not value-neutral, as what is counted as part of the economy is ultimately a matter of convention and an arbitrary choice. The beyond growth debate and Beyond GDP initiatives aim to tackle these issues in order to bring about a paradigm shift towards a more socially and environmentally minded future.

Beyond growth: Alternatives and challenges

The critique of growth and growth-centric policy-making led to a proliferation of alternative ways of thinking, conceptual frameworks and policy tools. Many remain at the theoretical level, while others are making their way into real-life policy-making. Collectively, they make an attempt to give concrete shape to what it would mean to move beyond growth.

Approaches in the growth debate

There is a wide array of voices in the debate on going beyond growth.⁴ These range from positions which advocate minor adjustments to GDP calculations, propose additional indicators or question the central position of growth in policy-making, to more radical positions postulating reduced growth. According to a 2022 policy [paper](#) by the Forum for a New Economy, the main strands in the growth debate can be divided into green/inclusive growth, post-growth and degrowth.⁵ This division is also present in academic literature.⁶

Proponents of **green and inclusive growth** still see growth as a central policy objective but propose adjustments to make it more sustainable and inclusive. Examples of such policies include environmental taxes, decarbonisation policies, changes to the composition of production and consumption (e.g. shift to electric vehicles, recycling), implementing strategies aimed at poverty reduction, reducing inequalities and improving employment conditions. Attempts to move beyond growth are [seen](#) by its proponents as politically unviable, too embedded in society's understanding of what a successful economy is and closely linked to employment levels, business interests, government tax revenues and pension systems.

Supporters of [degrowth](#) propose an essentially opposite vision, arguing that growth in itself is a problem. They question the long-term sustainability of solutions proposed under green growth due to the limited regenerative capacities of the ecosystem and planetary boundaries. Moreover, the design of the economic system itself is seen as being based on social exploitation and inequalities. A [steady-state](#) or shrinking economy is therefore seen as a solution to the environmental limits and social problems. According to this view, deeper structural reform is needed. Possible policy options include stopping the extraction and consumption of fossil fuels, limits on advertising, a focus on community practices and shared use of goods, reduced working time and universal basic income.

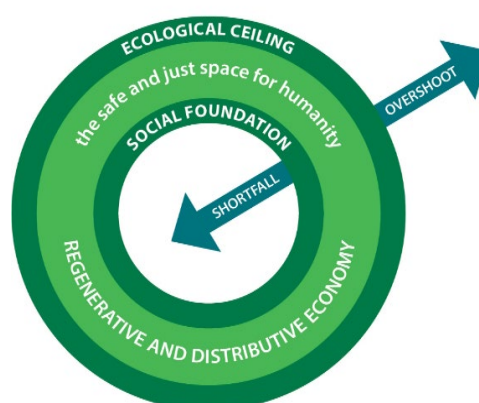
The third group of ideas under the heading of [post-growth](#) (also called 'beyond growth' or '[a-growth](#)', i.e. agnostic about growth) suggests moving away from the focus on growth. It does not necessarily mean abandoning growth as a policy objective, but nor does it mean relying on it. According to the previously quoted 2022 OECD [report](#), it is about 'changing the composition and structure of economic activity to achieve the multiple goals of a more rounded vision of economic and social progress'. The [argument](#) behind it is that specific rates of growth are not automatically correlated with social benefit or environmental harm, because it all depends on what is growing or shrinking (i.e. how production and consumption is organised). Moreover, the observed low growth rates in many advanced economies⁷ call for the rethinking, and subsequently a more fundamental transformation, of economic organisation to make employment, social security, public services, etc. less dependent on growth. The solutions offered by green/inclusive growth are seen as too incremental or acting only ex-post to remedy certain problems, while degrowth is seen as unrealistic. Therefore, supporters of this view believe that the economy should be designed in a way that achieves environmental and social goals, whether this will be accompanied by economic growth or not. Possible policies include decisively addressing environmental degradation and social inequalities, improving wellbeing and ensuring economic stability.

While these positions vary in their approach to growth, they also share some commonalities. Unlike the focus on GDP growth alone, they take into account social and environmental goals. They propose concrete policy [solutions](#) towards sustainable prosperity accompanied by social welfare. They all contribute to reshaping or changing the growth paradigm. On the other hand, their implementation is radically different. Green and inclusive growth does not entail changing existing structures but rather adjusting them, which may bring positive results but also sometimes lead to greenwashing and social washing. It also has upsides, because it does not run into challenges linked to changing the growth-based policy design (such as how to ensure enough tax revenue for public spending and adequate employment levels), nor does it raise much controversy. Introducing degrowth would imply a complete reorganisation of the socio-economic system, possibly moving away from capitalism, shaking up the way government policy is organised and changing people's views on consumption. Beyond growth would imply a paradigm shift towards a multidimensional model of development, with a variety of policy solutions in fields such as taxation, social policy and environmental protection.⁸ In a way, it creates promising grounds for experimentation in light of green and inclusive growth solutions having already been implemented, without shifting the growth model or degrowth solutions running into problems of political and public support.

Alternative policy frameworks

In recent decades, a number of alternative frameworks have been developed to translate the above ideas into policy. The 1987 Brundtland [report](#) on 'Our Common Future' championed the concept of sustainable development, defining it as 'meeting the needs of the present without compromising the ability of future generations to meet their own needs' and stressing the need for balance between economic, social and environmental goals. This framework has a more recent spin-off in the form of the UN [Sustainable Development Goals](#), an internationally agreed set of 17 goals covering education, poverty, health and wellbeing, equality and sustainability, but also including economic growth (Goal 8). Other well-known frameworks include the '[economy of well-being](#)', focusing on equality, social protection, education and health, and the increasingly popular concept of '[Doughnut Economics](#)' (see Figure 1). In essence, the doughnut approach takes the metaphor of a cookie with a hole in the middle, whereby the ring constitutes a 'safe and just space for humanity' with an economy functioning in balance. Outside the safe zone is social shortfall and environmental overshoot. The aim of the Doughnut Economics framework is to provide a compass for policy-making; the [Doughnut Economics Action Lab](#) translates ideas into action by bringing together people working towards systemic change.

Figure 1 – Doughnut Economics



Source: Kate Raworth, [Doughnut Economics: Seven Ways to Think Like a 21st Century Economist](#), 2017.

The common feature of the frameworks aimed at providing an alternative to the growth-based paradigm is that they usually include a social and environmental component, in addition to the economic one. As well as their conceptual influence, many have been implemented in policy at various levels.

The common feature of the frameworks aimed at providing an alternative to the growth-based paradigm is that they usually include a social and environmental component, in addition to the economic one. As well as their conceptual influence, many have been implemented in policy at various levels.

Alternative indicators

Indicators are one of the ways to translate 'beyond growth' ideas into policy-making. In addition to redesigning the current economic model and advocating a more balanced set of goals in policy-making, the beyond growth debate has focused on indicators (usually under the heading of '[Beyond GDP](#)'). A variety of alternative measures have been developed to address the shortcomings of GDP⁹ and gear policy-making towards social and environmental goals. Some early attempts included the Genuine Progress Indicator (GPI) created in the 1990s and taking account of social and environmental factors (such as air pollution, crime and resource depletion). A [study](#) of correlation of GDP with GPI shows a divergence of social and economic outcomes from the 1990s, arguing that GDP does not provide the full picture of progress due to continuing environmental destruction and widening inequality.¹⁰ The concept of [Gross National Happiness](#) (GNH) created by the King of Bhutan in the 1970s was enshrined in the country's constitution in 2008. The GNH Index measures happiness through four pillars: good governance, sustainable socio-economic development, cultural preservation and environmental conservation. Other well-known indicator sets include the [Better Life Index](#) created by the OECD (with a broad mix of issues such as housing, work-life balance and civic engagement), the United Nations' [Human Development Index](#) (measuring income, health and education), and the [Social Progress Index](#) (which only measures social and environmental outcomes, rather than income).

The indicators debate has, however, encountered some limits when it comes to use in policy-making. The widely cited 2009 [Stiglitz-Sen-Fitoussi report](#) proposed a range of possible additional or alternative indicators to GDP, tracking economic, social and environmental aspects; the report sparked a political debate and the creation of various indicator sets. Over a decade after the report, it is clear that such additional indicators or frameworks are increasingly being used to design policy strategies or monitor the implementation of policies. However, no indicator has yet reached a status comparable with GDP, although measures such as greenhouse gas emissions and inequalities are increasingly present in political discourse and public debate. There are also [calls](#) to publish a range of key indicators alongside GDP figures or to publish GDP [data](#) by income groups to show the distribution of economic growth in society. However, while additional indicators do provide a more balanced overview of reality, they also come with their own problems relating to data availability, the possibility to influence them through policy in the short term and consensus on which indicators should be chosen.¹¹ Moreover, some voices in the beyond growth debate [point out](#) that focusing on indicators creates a distraction from a broader shift beyond growth in terms of structural changes in the economic model and economic thinking.

EU policy-making and initiatives to move beyond growth

In its communication of 2 March 2022, '[Towards a green, digital and resilient economy: our European Growth Model](#)', the European Commission pointed out consensus-based EU priorities for the European economic growth model, such as the green and digital transitions, and improving economic and social resilience. It highlighted the need for structural changes to achieve 'reforms required for long-term sustainable growth and wellbeing for all EU citizens' and advocated a 'shift towards a sustainable, resilient and inclusive economic model'. It also stressed the role of the green transition as an opportunity to place Europe on a new sustainable and inclusive growth path (especially through the European Green Deal) and the crucial role of the [Recovery and Resilience Facility](#) in supporting growth-enhancing investments. This shows that, at least on the level of discourse, the EU has taken the path of green and inclusive growth rather than a beyond growth approach. The green and social policy initiatives reviewed below also play a role in raising awareness, stimulating political consensus over goals and exerting a degree of public pressure.

The European Commission under President Ursula von der Leyen adopted a comprehensive [approach](#) to integrating Sustainable Development Goals in EU policy-making and provided an [analysis](#) of how EU policies are linked to SDGs. In 2019, SDGs were also integrated into the [European Semester](#), the framework for the coordination of EU Member States' economic and fiscal policies. In the 2020 [Annual Sustainable Growth Strategy](#) (ASGS, previously known as the Annual Growth Survey) – the first document outlining SDG integration into the Semester – the Commission argued that this 'refocusing of the European Semester' put the SDGs at the centre of EU policy-making. However, closer examination shows that this mainly took the form of monitoring each country's SDG performance in an annex to the [country reports](#), which analyse the national social and economic situation. SDG performance is assessed against four 'dimensions of sustainability' identified by the Commission: environmental sustainability, fairness, productivity and macroeconomic stability. It could be argued that the latter two are still part of the growth-centric paradigm, while the Semester's economic aspects and the rules of the Stability and Growth Pact remain at the forefront.¹²

The [European Pillar of Social Rights](#) (adopted at the 2017 Social Summit for Fair Jobs and Growth) is an example of a specific socially oriented initiative. It is based on 20 principles in three areas: 1) equal opportunities and access to the labour market; 2) fair working conditions; and 3) social protection and inclusion. An [action plan](#) was adopted at the Porto social summit in 2021, with concrete actions and headline targets to be achieved by 2030 in the areas of employment, training and reduction of poverty and social exclusion. The [Social Scoreboard](#) reflecting progress on implementing the Social Pillar is also included in the European Semester. Similarly to the incorporation of the SDGs in the Semester, the Pillar plays a largely monitoring role and is essentially a voluntary agreement.

The [European Green Deal](#) (EGD) aims to make the EU climate-neutral by 2050 and 'reconcile the economy with the planet'. It covers many legislative initiatives in sectors including energy, industry, buildings, transport, biodiversity and agriculture, as well as environmental and climate action. It also addresses the ensuing socio-economic consequences of climate transition, for instance through a Just Transition Fund for areas with carbon-intensive industries.

In 2019, the Council of the EU adopted a set of [conclusions](#) on the economy of wellbeing. While stressing that wellbeing is 'vitally important to the Union's economic growth, productivity, long-term fiscal sustainability and societal stability', it called for a future EU strategy to 'ensure that the Union becomes the world's most competitive and socially inclusive, climate-neutral economy, reflecting the economy of wellbeing'. The Council's [vision](#) sees wellbeing and economic growth as interdependent and mutually reinforcing and has a strong focus on the contribution of various aspects of wellbeing (such as health and education) to increases in GDP and productivity.

In addition to these broad strategies, the EU supports a socially inclusive and environmentally friendly orientation of policies through funding. For instance, 30 % of the EU budget must [support](#) climate action, while 20 % of the spending in national plans under the Recovery and Resilience Facility must support the digital transition. EU funding available through cohesion policy, agricultural and other funds comes with similar conditions supporting specific types of action. Moreover, some EU policies support aspects which come up in the beyond growth debate, for instance the circular economy, minimum wages and GHG emissions reduction. It is important to note that all the above initiatives are usually contextualised in EU legislative and non-legislative documents as aiming to achieve green and inclusive growth.

The EU has, however, been more active in the aspect of the beyond growth debate focusing on indicators (usually referring to GDP rather than the concept of growth itself). In its 2009 communication on '[GDP and beyond: Measuring progress in a changing world](#)', the Commission highlighted the need for new indicators complementing GDP, and outlined five EU actions in this area: complementing GDP with environmental and social indicators; providing near real-time information for decision-making; more accurate reporting on distribution and inequalities; developing a sustainable development scoreboard; and extending national accounts to environmental and social issues. In 2013, a progress [report](#) on the implementation of these five actions was published, highlighting the initiatives undertaken, for instance the adoption of a [regulation](#) on [European environmental accounts](#) providing a framework for integrating environment-related data into national accounts.

Moreover, the European Commission regularly updates a [website](#) dedicated to its 'Beyond GDP' initiative, providing a background on the topic, a [map](#) of initiatives and the latest developments in the field. Furthermore, discussion is ongoing in policy analysis produced by EU institutions, as illustrated in the Commission's 2021 discussion paper '[Economic Policy-Making Beyond GDP: An Introduction](#)' and the Council's '[Beyond GDP: Measuring what matters](#)' report, published in the same year; both papers discuss existing EU initiatives in this area and outline solutions for the future. The European Environment Agency is more vocal on the issue of growth itself, for instance in its 2021 briefing on '[Growth without economic growth](#)', pointing out some limitations of decoupling economic growth from resource consumption and arguing for a need to rethink what growth means. Moreover, large conferences have been organised on the topics of indicators and of growth more broadly, for instance the 2007 'Beyond GDP' [conference](#) and the 2018 'Post-Growth' [conference](#). A '[Beyond Growth](#)' conference takes place in the European Parliament in May 2023.

The trend to include social and environmental dimensions in EU policies, often accompanied by sets of indicators, is also visible, for instance through the above-mentioned [Social Scoreboard](#), the European Green Deal [dashboard](#) and a set of EU-adjusted [SDG indicators](#), which in many cases are accompanied by information on the relevant EU policy targets to which they relate. Various social and environmental indicators are also used in impact assessments of EU legislative proposals, while a 2022 Joint Research Centre (JRC) [analysis](#) identified 12 indices and scoreboards used in the

European Semester's 2022 country reports, and explored the possibilities for further indicator use in EU policy. The [Composite Indicators & Scoreboards Explorer](#), created by the JRC, provides a comprehensive overview of indicators available for use in policy-making, linking them to the European Commission's priorities and the SDGs.

Country and regional initiatives

In the EU and worldwide, at national or regional level, the number of initiatives in favour of sustainable prosperity beyond growth is increasing. Some of them are limited to indicators and dashboards for better measuring the quality of life, others go further and imply a periodic analysis of such indicators to drive policy-making, and even annual national budgets. Some countries have developed a democratic process, including citizens' participation, to launch a national strategy on wellbeing, or even making wellbeing a kind of national philosophy. Below are some examples of significant initiatives.

Belgium, in 2014, adopted the '[Act on complementary indicators](#) to measure the quality of life, human development, social progress and the sustainability of our economy'. These indicators are complementary to GDP, and were built on the experience of the sustainable development indicators, which started in 1997. [Results](#) are debated annually in the House of Representatives.

France, in 2015, passed a law introducing [New Indicators of Wealth](#), as a follow-up to the 2009 [Stiglitz report](#). The law requires the publication of an annual report using alternative indicators to GDP, at the same time as the draft budget bill. The National Agency for Territorial Cohesion, through its Observatoire des Territoires, has adapted some of the indicators of wealth to a [regional scale](#).

Germany, since 2012, uses nationwide dialogues on wellbeing as an inclusive process connecting public opinion to experts and policy-makers. A [2013 report](#) proposed a set of ten indicators covering three dimensions of wellbeing (economy, ecology, and social wealth), known as [W3 Indicators](#). Following the 2015 [national dialogue](#), the government published its [strategy on wellbeing](#).

Italy, since 2016, measures [equitable and sustainable wellbeing](#) (BES) as part of its economic planning. The draft budget bill includes an analysis of recent trends for selected indicators and an impact assessment of proposed policies. A monitoring report ([BES report](#), first edition in 2013) is presented annually to the Parliament. Since 2020, a report on [BES at local level](#) is also available.

Regional initiatives in EU countries are also flourishing. As early as 2003, France's Nord-Pas de Calais region launched the programme [Indicateurs 21](#), proposing indicators such as ecological footprint, female participation in political and economic life, and social health. The [Regional Welfare Index](#) (*Regionale Wohlfahrtsindex* – RWI) is used in several German *Länder*; it takes household consumption as a starting point, adding and subtracting social and environmental factors expressed in monetised values. In October 2022, with the aim of supporting regional initiatives, the JRC announced that 10 regions will participate in the pilot project '[REGIONS2030: Monitoring the SDGs](#) in the EU regions – Filling the data gaps', funded by the European Parliament.

European Parliament position

In its 2011 [resolution](#) on 'GDP and beyond – Measuring progress in a changing world', the Parliament emphasised that GDP is a measure of production and does not measure environmental sustainability, resource efficiency, social inclusion and social progress in general. The Parliament noted the growing international recognition of limits to GDP as an indicator and that, besides measuring economic development and productivity, there are other indicators that influence and explain the living standards in a country. Furthermore, the Parliament called for the development of indicators that focus more closely on the household-level perspective, reflecting income, consumption and wealth. Finally, the Parliament stressed the importance of agreeing on a systemic approach to setting up a coherent 'Beyond GDP system' to contribute to improved policy analysis and debates.

In its [resolution](#) of June 2022 on 'Implementation and delivery of the Sustainable Development Goals', the Parliament stresses the need to implement the Council's conclusions of 24 October 2019 on the economy of wellbeing and calls on the Commission to deliver the 'Beyond GDP' dashboard and indicator set. The Parliament also calls on the Commission to consider implementing alternative measures of progress in its monitoring of SDG implementation, such as the Social Progress Index.

The Green Deal: Part of the growth paradigm or already beyond?

According to the European Commission, the European Green Deal is 'a [new growth strategy](#) that aims to transform the EU into a fair and prosperous society, with a modern, resource-efficient and competitive economy where there are no net emissions of greenhouse gases in 2050 and where economic growth is decoupled from resource use'. The Commission communication of 2019 outlining the details of the Green Deal further explains that it is meant 'to put Europe firmly on a new path of sustainable and inclusive growth'. The Green Deal is thus situated at the less radical end of the growth debate spectrum, proposing measures to make environmental and social improvements to the current system, while preserving an economic model geared towards increasing competitiveness and growth.

Despite this clearly pro-growth framing, the Green Deal is sometimes perceived as having the potential to be a beyond growth strategy. A 2020 academic [article](#) analyses whether the Green Deal could be a third way between green growth and degrowth. Green growth is taken to mean a 'growth-based economy that must become greener', while degrowth contests the growth model itself as being ecologically harmful. A third way would thus mean an alternative prioritising ecology without welfare loss. Some potential is highlighted, in that the Green Deal makes visible the reliance of industry on the extraction of resources and the power structures impeding a socially just transition, which then brings together various stakeholders in search of a compromise.

A 2022 European Environmental Bureau mid-term [assessment](#) of the Green Deal provides an overview of delivery on commitments. It highlights positive developments, such as the adoption of the Climate Law and the proposal on the Social Climate Fund, while pointing out some issues it sees as problematic, for instance continued agricultural funding for intensive farming practices and accelerating renewable permitting at the cost of rolling back nature protection legislation. It concludes that the Green Deal is good on vision and transformative narratives, but weaker on the pace of change and introducing truly transformative measures.

A 2020 [publication](#) by ETUI (European Trade Union Institute) and the European Social Observatory points out the incompatibility of the Green Deal's aim of increasing growth with its social and ecological ambitions, and calls for a strategy that is primarily aimed at achieving a social-ecological state, decoupled from growth.

The European Green Deal replaced the Europe 2020 strategy for smart, sustainable and inclusive growth as an overarching EU strategy. Despite specific targets for EU action on education, employment, poverty, R&D, climate and energy, the previous strategy has been [criticised](#) for still being about 'growth, growth, growth'. A similar criticism can be made of the Green Deal, as it is essentially a growth strategy. However, it also impacts the way growth is perceived. Thanks to its status as a central EU strategy, by highlighting the importance of socio-ecological considerations and translating them into policy through consensus over new legislative measures, it supplements and reshapes the growth paradigm even though it does not replace it.

Outlook

The climate crisis, rising inequalities and persistently slow growth in many advanced economies has brought a renewed focus on the beyond growth debate. As the EU's resilience has been tested in a series of crises (the financial crisis, the pandemic, war, and energy and cost-of-living crises) and

transformations (e.g. green and digital transition), the debate provides an opportunity to discuss what kind of future could be created out of these multiple crises and challenges.

While the beyond growth thinking implies a shift from seeing growth as an end in itself to seeing it as a means to achieve social and environmental goals, there is no general agreement on how to do it or even whether such a shift is needed. The visions proposed by the green/inclusive growth, post-growth and degrowth strands vary greatly, despite displaying some commonalities in terms of solutions aimed at achieving sustainable prosperity. The trend to create alternative indicators to GDP and to apply multidimensional frameworks such as Doughnut Economics or Sustainable Development Goals in policy is increasingly popular in both society and policy circles. However, as long as attempts remain at the technical level of indicators or the conceptual level of frameworks the growth paradigm is unlikely to change. Such a potential change would not only require a shift in how we think about the economy and society but also modification of individual behaviour (e.g. cycling, reduced energy use), concrete policies (transport, taxation) and international collaboration. Changes in the dominant economic narratives and economic models would also require a consensus among different interests.

Whether the EU opts for reform or incremental change, for keeping growth as a central policy objective or just one of many objectives, for green and inclusive growth or other beyond growth approaches, a number of pressing challenges will still need to be addressed – including climate change, environmental sustainability, social wellbeing, inequalities and system resilience – and translated into policy-making in the future.

MAIN REFERENCES

Council of the European Union, [Beyond GDP: Measuring what matters](#), issues paper, May 2021.

Likaj X., Jacobs M. and Fricke T., [Growth, Degrowth or Post-growth? Towards a synthetic understanding of the growth debate](#), Forum for a New Economy Basic Papers, No. 2, 2022.

Mügge D., [Studying macroeconomic indicators as powerful ideas](#), Journal of European Public Policy, 23:3, pp. 410-427, 2015.

OECD, [Beyond Growth: Towards a New Economic Approach](#), September 2020.

Stiglitz J., Sen A. and Fitoussi J.-P., [Report by the Commission on the Measurement of Economic Performance and Social Progress](#), 2009.

Terzi A., [Economic Policy-Making Beyond GDP: An Introduction](#), DG ECFIN, June 2021.

Widuto A., [Beyond GDP: Global and regional development indicators](#), EPRS, October 2016.

ENDNOTES

- ¹ As defined by Jones C. and Klenow P., [Beyond GDP? Welfare across Countries and Time](#), *American Economic Review*, 2016.
- ² See also Boulding K., [The Economics of the Coming Spaceship Earth](#), *Environmental Quality in a Growing Economy*, pp. 3-14, Baltimore, MD: Resources for the Future/Johns Hopkins University Press, 1966; Lovelock J., [The evolving Gaia theory](#), United Nations University, 1992.
- ³ Rodrik D., *One Economics, Many Recipes: Globalization, Institutions and Economic Growth*, Harvard University, 2007.
- ⁴ While alternative frameworks and multidimensional policy goals are also present in developing countries, the debate on beyond growth largely focuses on advanced economies due to a broad consensus on the need to pursue growth in low-income countries.
- ⁵ Some of the policy options discussed in this section can be present in each of these strands (e.g. poverty reduction) or can be part of a separate self-standing debate, not necessarily linked to the growth debate (e.g. universal basic income).
- ⁶ See, for instance: Lehmann C. et al., [Green growth, a-growth or degrowth?](#), *Journal of Cleaner Production*, February 2022, and Roberts L. and Henderson J., [Degrowth, green growth, a-growth and post-growth: The debate on ways forward from our growth addiction](#), 2020.
- ⁷ According to Eurostat, the average annual EU growth rate in the 2005-2021 period was [1.1%](#), though some individual countries experienced higher growth rates in this period.
- ⁸ For an overview of what a post-growth world could look like, see: Fioramonti L., *The World After GDP: Politics, Business and Society in the Post Growth Era*, 2017; Hoekstra R., *Replacing GDP by 2030*, 2019; Jackson T., *Prosperity without Growth: Foundations for the Economy of Tomorrow*, 2016; and Jackson T., *Post Growth: Life after Capitalism*, 2021.
- ⁹ For a comprehensive overview of GDP shortcomings, see: Fioramonti L., *Gross Domestic Problem*, 2013; Coyle D., *GDP: A Brief but Affectionate History*, 2015; and Lepenies P., *The Power of a single number: A political history of GDP*, 2016.
- ¹⁰ It is important to note that the correlation of GDP with other indicators largely depends on the variables selected. For instance, the EU Social Progress Index [shows](#) a high positive correlation with GDP per capita.
- ¹¹ For a broader discussion, see Terzi A., [Economic Policy-Making Beyond GDP: An Introduction](#), DG ECFIN, June 2021 and Widuto A., [Beyond GDP: Global and regional development indicators](#), EPRS, October 2016.
- ¹² However, the integration of the monitoring of SDGs, the Social Pillar and the Green Deal into the Semester can be seen as a step forward, and a debate on 'socialising' the European Semester also exists, including the impact of social and environmental elements of country-specific recommendations on national policy-making.

DISCLAIMER AND COPYRIGHT

This document is prepared for, and addressed to, the Members and staff of the European Parliament as background material to assist them in their parliamentary work. The content of the document is the sole responsibility of its author(s) and any opinions expressed herein should not be taken to represent an official position of the Parliament.

Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the European Parliament is given prior notice and sent a copy.

© European Union, 2023.

Photo credits: © Miha Creative / Adobe Stock.

eprs@ep.europa.eu (contact)

www.eprs.ep.parl.union.eu (intranet)

www.europarl.europa.eu/thinktank (internet)

<http://epthinktank.eu> (blog)