

Policy Statement No. 73 – BETTER THAN GROWTH POLICY

Introduction

“Anyone who believes exponential growth can go on forever in a finite world is either a madman or an economist”. Economist, Kenneth Boulding

The way we measure, stimulate and regulate our economy must be consistent with the broader aspirations for human and ecological well being. According to Nobel Prize winning economist, Joseph Stiglitz, ‘What we measure affects what we do. If we have the wrong metrics, we will strive for the wrong things. In the quest to increase GDP, we may end up with a society in which most citizens have become worse off.’

Australia is currently living beyond our ecological means. Our per capita ecological footprint is nearly four times a globally sustainable level, and the third-largest in the OECDⁱ, our greenhouse gas pollution is the highest per capita in the OECDⁱⁱ, we have chronic water shortages across the country, and Australia has the highest percentage of threatened vertebrates and plant species in the worldⁱⁱⁱ. The degradation of most ecological systems and the accelerated depletion of many natural resources are compounded by the rapid increase in human populations during the 20th century. Underpinning this is our excessive focus on short term financial wealth and consumption.

Many social indicators are also deteriorating, with 61% of Australians classed as overweight or obese,^{iv} 45% of Australians experiencing mental illness at some point in their life time^v and adult imprisonment rates on the increase.^{vi} The disparity between the life expectancies and material wellbeing of Indigenous and non-Indigenous Australians remains large.

ACF believes our society should prioritise the well being of its people and environment. To achieve this goal society must be driven by long term well being rather than short term economic imperatives.

In pursuing well being, we are facing a number of challenges:

- The current dominant measurement for progress is the Gross Domestic Product (GDP), yet it is well known that this measure fails to capture many aspects of our quality of life, including sustainability. GDP measures quantity not quality of activity in the economy. For example, the value of non-paid work and leisure time is ignored and the cost of cleaning up pollution is added to GDP.
- Ever-increasing expectations of consumption and material standards of living are leading to high rates of debt, low rates of savings, overwork, anxiety and depression, and financial stress.
- Extraction of finite resources is continuing to damage the environment, compounded by the rapid increase in consumption-intensive human populations.
- Corporations are failing to take responsibility for the life cycle impacts of their products and cost benefit analyses do not factor into the equation the ‘true cost’ of the long term negative impacts on society and the environment.
- Much of the economy is driven by short-term imperatives, which are exacerbated by short-term corporate reporting periods, media and political cycles, and skewed incentive structures.
- Australian governments currently tax income, investment and innovation, with limited or non-existent taxes on pollution, greenhouse emissions, resource extraction and waste. Smart taxation should reflect the full cost of the impact of the production, and needs to drive innovation and resource efficiency, with benefits for society and the environment.

Policy

- 1 To achieve *better measures of progress*, ACF supports a repositioning from the current focus on GDP as a measure of progress to a broader set of indicators against which to measure and report progress. Measures should reflect an increase in social, cultural and environmental wellbeing and should track outcomes that are inconsistent with the pursuit of wellbeing, such as increasing congestion or pollution levels. In particular:
 - 1.1. Strong national targets should be set under a new National Strategic Plan to measure the new indicators against and publicly report on progress on a quarterly basis.
 - 1.2. The quality, comprehensiveness and collection frequency of environmental, social and cultural data needs improvement and incorporation into our national accounts via new systems.
- 2 To achieve *better consumption* outcomes, ACF supports:

Progressive and flexible employment arrangements for broader labour force inclusion and increased leisure time. In particular ACF supports:

 - 2.1 Recognition of the value of non-paid work in national accounts, including non-paid child care, household work, carers' work, volunteering, and the value of family and leisure time.
 - 2.2 Retraining of the labour force to prepare for changes in the economy and support for adjustment strategies for regions that are currently heavily dependent on pollution intensive industries.
 - 2.3 Government leadership in better consumption, including:
 - Smarter, more sustainable Government procurement for buildings, transport and materials
 - Clear and reliable labelling standards that support consumer choices (including greenhouse emissions, water use) and outright bans / phasing out of clearly unsustainable products.
 - Education and social marketing initiatives to highlight the personal, social and environmental costs of excessive consumption, and encourage people to reduce consumption.
- 3 In order to achieve *better production and regulation* outcomes, ACF supports:
 - 3.1 Strong regulation and incentives that drive production efficiencies by rewarding leaders and penalising laggards, including extended producer responsibility requirements, minimum design standards, and strong procurement policies.
 - 3.2 Regulation that more appropriately prices renewable and non-renewable resources, by internalising the environmental costs.
 - 3.3 The charging of appropriate levels of "resource rent" on the exploitation of Australia's non-renewable natural resources.
 - 3.4 Mandatory environmental reporting for major companies so environmental and social impacts are fully and transparently recorded on company balance sheets.
 - 3.5 The development of tools to improve the analysis of social and environmental impacts.
- 4 To achieve *better business* that also delivers social and environmental goals, ACF supports:
 - 4.1 Active share ownership targeting long term returns.
 - 4.2 Internalisation and reporting of true social and environmental costs on the financial accounts of public companies and government owned enterprises to ensure environmentally effective outcomes are achieved.
 - 4.3 Supporting existing or new industries that are compatible with the maintenance of cultural and environmental values.
- 5 To achieve *better taxation* that supports strong social and environmental outcomes, ACF supports:
 - 5.1 Phasing in greater taxation of resource use (including land), pollution and waste over ten years.

- 5.2 Removing concessions that encourage investment in unsustainable transport, fuel consumption and urban sprawl, for example FBT concessions for company cars that reward greater travel.
- 5.3 Using the taxation system to reward investment in best practice, innovation and green infrastructure that delivers long term social and environmental objectives.
- 5.4 Reformulating tax payments if they result in population growth and consumption over sustainable levels.

Adopted: C120, November 2010

ⁱ WWF, Living Planet Report 2008

ⁱⁱ The Garnaut Climate Change Review 2008

ⁱⁱⁱ Lindenmayer D. "On Borrowed Time: Australia's Environmental Crisis and what we must do about it" (2007) Penguin in association with CSIRO Publishing, Melbourne p.36

^{iv} Australian Bureau of Statistics 2008, National Health Survey 2007-08, Cat 4364.0.

^v Australian Bureau of Statistics 2009, Australian Social Trends National Health Survey 2007-08, Cat 4364.0.

^{vi} Australian Bureau of Statistics 2009, Measures of Australia's Progress: Summary Indicators 2009