



PRESS RELEASE

London, UK

Monday July 29th, 2019

The Federation of International Employers (FedEE) writes at 9:25 am BST

The sorry truth about growth

Because of the way official statistical agencies portray economic growth we are all living in a fool's paradise - mistaking narrow, superficial measures of wealth for the real thing. To achieve economic growth to date has meant draining the world of almost half of its key natural resources and borrowing heavily at more than three times the level of total GDP.

It is like saying we are richer because our weekly income is up slightly – when, in reality, our bank balance has collapsed.

Let's start with the ever-familiar GDP statistic itself. Because of the way the world economy goes through economic cycles much of the growth that seems to be taking place in good times is actually just catching up with the losses made in the last downturn. For instance, it took the world until 2014 to catch back up to where it was in 2008. That means there was no incremental growth at all for six years. Now growth is peaking again and we are struggling in denial of the coming recession.

True GDP

On the surface things look impressive. World (inflation adjusted) economic growth since 2000 has been 74%. However, part of this has been due to the sheer increase in world population - amounting to 25% over the last 19 years. According to the World Bank per capita economic growth adjusted for price changes and purchasing power parities was 47.6% over the period 2000 to 2018. However, what they could not adjust for was the great unknown shadow economy that accounts for over 50% of jobs in many developing countries. Neither did it take into account workforce size and hours worked by those in the formal economy. Moreover, how much of the world's stock of resources has been consumed in the last 18-19 years (money in the bank) and what has been the negative impact of pollution and desertification? We estimate that base and environmentally adjusted economic growth since 2000 is actually 19%.

Finally, what about world debt? If that is not included it makes a mockery of any claimed figures for growth. Currently, world debt stands at US\$244 trillion - three times the size of the world economy and it is growing all the time. Part of the problem is that around 40% of GDP is being siphoned off into government expenditure rather than into productive spending in the private sector. Several of the largest nations - such as the USA and UK - are also running massive and unsustainable balance of payments deficits. In fact, Brexit has already done so much damage that the UK government is having to hide much of its deficit in unreconciled residual figures



locked away in footnotes. Thus we estimate that since 2000, on a fully factored basis, the world economy has actually shrunk - in true terms - by at least 18%. This is, in our view, a highly conservative estimate.

Global Economic Growth 2000 - 2019

Headline GDP Growth	74%
GDP/Per Capita (PC) Growth (PPP adjusted)	51% (estimate)
Base and Environmental adj PC GDP growth	19%
Fully Factored PC Growth (Debt adjusted)	-18%

Stand back even further and another picture emerges. What is happening at a macro level is that those in the developing world are collectively having to work longer, harder and smarter to maintain living standards and limit their consumption so that those in the developing world can catch up - at least to the point of basic living standards. The only significant change is the increasing concentration of wealth at the top - with the rich getting very much richer, middle incomes being squeezed and those on lower incomes gradually inching up to subsistence levels.

The global resource deficit

Let's now look at the seemingly familiar case of fossil fuels. We have probably consumed around one third of known reserves of coal, oil and gas and what is left in the ground can keep us going for another 50-100 years at current consumption levels. But consumption is also self-limiting. If we did actually put all that remaining carbon back into the atmosphere the world would not only fry, but we would not have enough oxygen to continue living outside some artificially controlled environment.

Other necessary resources for modern lifestyle are being used up at an even faster rate than fossil fuels. Take, for instance, bauxite - which is the richest aluminium ore. If world demand continues at the present rate known reserves will be exhausted by 2035.

Linked to energy and mineral resource production is food production - which remains tenuous and highly vulnerable. Climate change, desertification and changes in both pollution and overall air composition could quite quickly block its growth. Given that World food reserves are equivalent to around six weeks consumption that could have truly tragic consequences for at least 30% of the world's population who are already undernourished.

According to Robin Chater, the Secretary-General of the Federation of International Employers (FedEE) *"What we would welcome is a greater recognition of these trends by official statistical agencies and a computation of Fully Factored Per Unit of Labour GDP figure that takes into account the grey economy, net consumption of global resources, and both public and private debt."*



The debating has to stop

Not only do we need better figures about economic growth, but also a general recognition that the world's population, environmental and debt problems are even bigger than most people fear (not just immigration fears, global warming and credit card balances). The fast approaching endgame is linked inextricably to all three issues - coupled also with an important secondary "stability" issue - the distribution of wealth.

By our estimates, the World's population is already more than 300% higher than its sustainable level and the top 5% of the population own 1000% more than they should if the world is to rid itself of poverty and have hope of maintaining any political stability. Moreover, the endless academic and political debate about whether there really is an environment crisis must finally stop.

Fortunately, the global birth rate has been falling since the 1960s, but it is still too high in many areas of the globe and the population will continue to rise unsustainably over the present century. One answer to this would be economic development of the poorest regions of the world – as experience tells us developing countries undergo falling birth rates. But how can this ever be achieved in time?

What multinationals can do?

Ironically, in many ways multinationals are in a good position to lead the way - largely because they can balance resource consumption better than governments, take a broader picture, maintain high employment standards and invest in new technologies at a faster rate than SME's - thus reducing fossil fuel reliance and pollution, whilst maintaining living standards in the face of declining population levels. But to do this they need to be left alone by governments, not be seen as tax "cash cows" or an easy mark to play with and discredit.

What is FedEE?

The Federation of International Employers ([FedEE](#)) is a leading organisation for multinational companies. It was founded in 1988 with financial assistance from the European Commission. Today it is an independent body with corporate members all around the globe.