

"Negative growth" means contraction. The UK economy shrank by 0.5% in the 3rd quarter of the year. Who has become worse off and in what way? Some people have lost their jobs, their homes, or their life savings. Things seem set to get worse.

However, whilst some question the notion of economic growth as a desirable thing in it self, most economists take it for granted that GDP can be used as an index of success. But a few examples illustrate the difficulties. I visit a friend or relative and receive a meal. Later on, the relative comes to me and has a meal. Since all the food happens to be home-grown, the only thing that registers as part of the GDP is the fuel used for cooking. On the other hand, if we go out to a restaurant, all the meals get recorded as part of GDP. If we eat ready-made meals, the contribution to the GDP figure includes the food, the cooking, the packaging, the transport, and the cost of disposing of the packaging. Then there is the matter of the household wash. If two neighbours arrange to take in each other's washing alternately so as to make up a full machine load, the contribution to GDP is less than if they waste water and electricity by running separate half-full machines. There really is a need to devise a better measure of an economy than GDP, which connects more to people's sense of well-being.

But even if one accepts GDP as a proxy for well-being, there is another problem about the concept of "growth". Who benefits? The increase in productivity due to growth is not evenly distributed. There is almost no trickle-down effect. On the contrary, an increasing proportion of the total wealth produced in the economy is swallowed as land rent, as theory would predict.

What about the lost jobs and lost savings and pensions? As has been shown [elsewhere on this site](#)

, unemployment is largely due to land being held out of use because it costs nothing to do so apart from the rental income foregone when it is advantageous to await the upturn. And the lost savings are due to the recklessness of the banks in lending money for land purchase, using the land itself as collateral on the assumption that land prices would continue to rise indefinitely, despite the fact that it was the collective action of the banks that had pumped up the price bubble.

This leaves two issues to be resolved. The first is that a better index of economic well-being is needed. When an index becomes a target, policies are shaped so as to try to achieve that target. For the reasons outlined above, GDP is a poor proxy when it can take no account of what is usually referred to as the "domestic economy" - that pattern of production and distribution which takes place within the informal framework of friends and family. When it promotes waste, it makes no sense at all.

Second, some means of capturing the stream of land rental value must be put in place. Were this done, new jobs would quickly appear, the banks would no longer help their customers to gamble on the land market with people's savings, and an end would be put to the growing disparity of wealth that is associated with increases in productive power.