

The New Global Concept of GDP and China's Common Prosperity Objective: How China's common prosperity objective can assist the world?

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Abstract

The new measures of GDP have changed the concept of economic growth of a country by focusing more on SDGs than continuous economic growth. Current study aimed at finding out the similarity between the new global concept of GDP and the goals of China's common prosperity objective. Another contribution of this research was to explore how China can play its role to assist the world in accomplishment of these SDGs. Findings of the study suggest that the new indicators of GDP are very much similar to the China's common prosperity objective as both mainly focus on the factors related to environment protection and human well-being. Study also showed that China's adaptive governance system can play an important role in providing the guiding and exemplary path in achievement of these SDGs.

Keywords: Beyond GDP common prosperity objectives SDGs human well- being Environment protection inequality.

Introduction

The Gross Domestic Product (GDP) is used to determine a country's overall economic well-being. GDP, on the other hand, does not account for concerns that citizens care about, such as wealth disparities, foreign income flows, and a variety of well-being indices such as inequality, personal safety, housing, education, and employment. GDP focuses primarily on market transactions, ignoring social costs, environmental consequences, and economic inequality. Many researchers have criticized the GDP as measure of well-being of people. In a study conducted by Kubiszewski and colleagues (2013) it was recognized that global GDP has increased more than three folds since 1950 but the economic welfare continually decreasing

since 1978. Costanza, Hart, Posner and Talberth (2009) stated that rather than measuring the volume of marketed economic activity, useful measurements of progress and well-being should be indicators of the degree to which society's aims (i.e., to sustainably fulfil basic human needs for food, shelter, freedom, participation, and so on) are realized.

Building improved indicators of welfare has become a hot topic for public debate and a serious worry for politicians and governments, especially in light of climate change's potentially disastrous consequences. Different countries and international institutions like Organization for Economic Cooperation and Development (OECD) and United Nations Development Programme (UNDP) has started focusing on development of new measures of GDP for the last two decades. For example the French government appointed a committee to find out the new indicators for "economic performance and social progress" (Fleurbaey, 2009). The commission concluded that measures of economic well-being need to better represent individual circumstances and recommended a dashboard approach to measure economic well-being, including multiple indicators from several categories such as health, education, environment and employment (Anderson & Mossialos, 2019). New Zealand's government recently allotted a well-being budget with many aims, including mental health, child well-being, building an environmentally sustainable economy, and improving employment.

The Chinese Government has also included the "common prosperity objective" in the "Fourteenth Five-Year Developmental Plan" for "National Economic and Social Development and the Long-term Goals for 2035". The Fourteenth Five-Year Plan stated that "China will basically realize the long-term goal of socialist modernization by 2035" and more focusing on "people enjoy a better life, the all-round development of people, and the common prosperity of all people." Common prosperity is defined as "means to properly deal with the relationship between efficiency and fairness". The connotation of common prosperity refers to the idea that China shall be developed to a state where all the citizen share equal opportunities.

The current research attempts to explore the similarity between new global concept of GDP and China's common prosperity objective. The second part of this research will attempt to find out how China can assist the world in development and adoption of new GDP measures.

Literature Review

GDP has been used as a measure of a country's economic condition for more than half a century. The changes in GDP became the main indicators of a nation's overall economic health. Many researchers have defined GDP as the measure of economic activities of a country (Sumiyana, 2020; Cartwright, 2017; Costanza et al. 2014). Sumiyana (2020) reported GDP in terms of its two functions i.e., the function of consumption utility and the function of income utility. These two functions collectively present GDP as the productivity measure of the overall yearly achievements of all the firms and households in a country.

The concept of GDP emerged in US during 1930s and 1940s. US first used the GDP estimates for the justification of its participation in WWII when it used GDP measures to take the public in confidence about the adequate production and services, that will be enough for its people during the war. Later in 1944, the leaders of 44 allied countries created a process for international commerce and currency exchange cooperation to accelerate economic progress worldwide, create jobs for the people, promote political stability, and nurture peace (Costanza et al. 2009). For this purpose, the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD— now part of the World Bank) were established. The United States controlled both organisations these for the first quarter century as a result of its political and economic supremacy following WWII. As a result, GDP became the IMF's and the World Bank's principal indicator of economic advancement for measuring a country's development (Costanza et al. 2014).

The basic concept of GDP originated from income accounts. American economist, Simon Kuznets, was the first one who generated the national income accounts. Kuznets'

concept of income accounts was based on the use of a metric that did not solely focus on economic output, but also on a metric that emphasized human well-being. However, based on political and military needs a revenue accounting measure was chosen over common well-being (Costanza et al. 2014 ; Cartwright, 2017). Because GDP solely tracks monetary transactions related to the production of goods and services, several experts have disputed its usage as a measure of people's well-being. It is based on a skewed understanding of the human economy's operating structure. Thus, GDP not only fails to quantify crucial dimensions of quality of life, but it also encourages actions that are detrimental to a country's long-term well-being (Costanza et al. 2014). The drawbacks have become more apparent with the passage of time. GDP as the measure of economic growth of a country and with a capitalist system of production, totally ignored the positive role of environment, nature and human prosperity. The countries around the globe presented their economic growth to their people in the form of GDP numbers and overlooked the impact on environment, nature, ecology and human prosperity that will have long lasting impacts on people's lives. The GDP presented the development and success in the form of numbers and the high numbers of economic achievement represented in GDP measures were all gained by consuming the resources that were much more than nature's capacity to reproduce them back. Many early researchers like Cobb (1999), Ouyang, (2003), Costanza et al. (1997) and Agger (1979) warned about this negative impact of adopting GDP as the measure of national development and attributed GDP with environmental degradation, inequalities and human disparities.

New Concept of GDP

International organizations such as United Nations Development Program (UNDP) and Organizations of Economic Cooperation and Development (OECD) formulated the long-term goals that will be more sustainable in development and will be more beneficial for humanity and environment (Xue, Weng, and Yu, 2017). In 2015, the United Nations Agenda of 2030 (UNA2030) was universally accepted which consisted of seventeen sustainable development goals with 169 related targets. These goals were covering five major areas of critical importance

i.e., people, planet, prosperity, peace and partnership (United Nations, 2016). The seventeen SDGs basically originate from three basic pillars i.e economic, social and environmental, on the basis of links between goals and targets (Paoli & Addeo, 2019). The old concept of development was more related to the continuous process of economic growth which ensure the surplus of goods, the goods which can be used to meet human needs (Arco, 2021).

Chinese Common Prosperity Objective

The concept of Common Prosperity is nothing new in China. The term was first used by Mao Zedong in 1950s. Later, in the 1980s, as China's private sector began to emerge in some regions, causing imbalance, former Chinese leader Deng Xiaoping used the word several times. After “opening up” to the world for economic growth, China now focusing more on “common prosperity” and continuously including this objective in country's Five Year Development Plan. Common prosperity is defined as “means to properly deal with the relationship between efficiency and fairness”. China's common prosperity objective designed in a way that will be effective in the development of a “harmonious socialist society”. The building of a society where the focus will be on eliminating inequalities among disadvantaged groups and less developed areas by providing them with enough opportunities to get benefit from economic growth (Fan, 2006).

Research Questions

Research Question 1: How China's Common Prosperity Objective is similar to new global version of GDP?

Research Question 2: How China's common prosperity objective can assist the world?

Research Methodology

The research is descriptive and exploratory in nature. The research will use qualitative form of data collection as it will discover some new ideas by analyzing the existing literature. An extensive literature review will be performed for the better understanding of the topic of the research.

Research Purpose: Descriptive and Exploratory

Exploratory research tries to learn more about a previously unknown or undiscovered phenomenon by exploring and highlighting it. It also has a wealth of information and descriptions. Exploratory research also focuses on attempting to solve unknown problems in order to provide and discover future study directions (Khan, 2014).

Extensive literature is available on China's common prosperity objective and the world's modern concept of GDP. Therefore, it is argued that the similarity between new concept of GDP and China's common prosperity needs to be explored by focusing upon existing literature, published articles and expert opinions.

Research Approach: Qualitative

As the current study aims to explore the similarity between new concept of GDP and China's common prosperity objective therefore the methodological framework use for the study is qualitative. The understanding of the human world scientifically is difficult and challenging and we can to explore the solutions only by working out the truths (Mcleod, 2001). Khan (2009) defined qualitative research as a way of identifying, explaining, and giving significance to everyday life experiences. Qualitative research helps researchers to delve deeper into behaviours, diverse perspectives, and life experiences to unearth the intricacies of a topic. It's an investigation, a process of learning based on different methodological traditions that looks at a social or human issue. The researcher creates a rich, holistic picture by analyzing language, reporting on informant information, and doing the research in a natural context (Creswell, 2007). Qualitative research is used to explore the factors about which little has been known and explored (Strauss & Corbin, 1998). The nature of the research questions provides a solid foundation for conducting the current study qualitatively, since we may investigate and illuminate the phenomena by focusing on 'what?' and 'how?' sorts of questions in a qualitative study.

Analysis

To understand the new global concept of GDP, the initiatives taken by some countries with advance economies are discussed under:

1. Germany: W3-Indikatoren (W3 Indicators)

The German federal parliament, established a study commission at the end of 2010 (Marco, Richard, Nico, Gert, 2013). The fundamental motivation for the commission's formation was that the GDP did not fully reflect a society's prosperity, and the goal was to bring traditional metrics, such as the GDP, into public and political debate. As a result of extensive debate, the "W3 indicators" derived from the work of the "Study Commission on growth, wealth and quality of life". The "W3 indicators" complement the GDP with additional nine indicators and all these collectively cover three dimensions of well being i.e., economy, ecology and social wealth. In addition to the ten indicators (GDP + 9 additional indicators) for each of these three sectors, nine "warning lights" added to indicate whether crucial limitations have been surpassed in certain areas (Chancel, Thiry, & Demailly, 2014).

2. Australia: Measuring Australia's progress Indicators

The Australian Bureau of Statistics (ABS) endorsed Beyond-GDP indicators in 2013. These indicators were developed because of the changing global concept of growth and progress among the international community. The indicators were termed as *Measuring Australia's Progress* (MAP). The purpose of adoption of the new indicators was to find out "Whether the life is getting better in Australia?" (Trewin and Hall, 2004). The MAP dashboard has been divided into 26 categories based on four main themes: society, economics, environment, and governance. The Australian dashboard shows annual changes for each theme based on three classifications: advance, regress, or no significant change (Chancel, Thiry, and Demailly, 2014).

3. United Kingdom: The Measuring National Well-being Program

Prime Minister David Cameron created the Measuring National Well-Being Program (MNWP) in response to a growing need for new measurements that went beyond typical economic activity indicators like GDP, both in the UK and worldwide. The program was completed in two phases. The results first phase, which was the phase of extensive public debate, showed that "Subjective well-being" was one of the primary elements that people cared about. As a result of this consultation, the British government developed new measures of well-being which went beyond the measures of economic performance. The MNWP dashboard, released in November 2010, comprised of the metrics for health, social relationships, economic security, education, the environment, and subjective well-being measurements (Chancel, Thiry, & Demailly, 2014).

4. Federal Belgium: Complementary Indicator Act

On January 23, 2014, the "complementary indicators" act was introduced to supplement GDP in measuring quality of life, human development, social advancement, and economic sustainability. The Act was enacted in order to create a new perspective on social goals and development models, as well as to define "new kinds" of policy objectives. The main purpose was to refocus policy attention on well-being by adopting new indicators that would reformulate political discussions and will be more beneficial for long-term development (Chancel, Thiry, & Demailly, 2014).

China's Concept of Common Prosperity

The common prosperity objective was presented in China's Eleventh Five Year Plan which focused on establishment of a harmonious socialist society. The plan placed a special emphasis on reducing inequality by allowing under-served populations and underdeveloped

regions to benefit equally from the economic progress. The goal of the common prosperity objective was to create a society that will be fairer and more equal for the people. China's common prosperity objective is focusing more on reducing rural-urban income gaps, providing education and job opportunities to the common people, raising living standards, reducing inequality, protecting environment, conserving resources and social protection (Fan, 2006). According to the Standard Chartered Report prepared by Goh and Lachini (2021) China's common prosperity objective is focusing on four major areas in establishment of pilot zone in Zhejiang. These four areas are environment, high quality growth, reduction in inequality and self-sufficiency. **Discussion**

Findings of current study suggests that the new global concept of economic growth and development are similar to the China's common prosperity objective. The areas of economic growth which are of major concerns for international organizations such as UNDP and OECD and the countries with strong economies as Germany, France, Australia and United Kingdom, were similar to the areas which are of main interest under Chinese common prosperity Objective. New measures of GDP in different countries and China's common prosperity objective were focusing more on human well-being and environment protection including public health, reduction in poverty and inequalities, education, environment protection and raising standards of living (del-Arco, 2021; Fan, C. 2006). Chinese president Xi stated in a meeting of Central Committee of finance and Economics "Common prosperity is essential to Chinese style modernization.....it is necessary to adhere to people-centered development philosophy and promote common prosperity in high quality-development (Robert, 2021).

Green Energy formation, decoupling of economic growth from ecological impact, green infrastructure development and carbon neutrality till 2030 has been central to the ambition of realizing the UN' SDGs (Lu et al. 2001). China started many initiatives for eco-system services and conservation such as Key Shelterbelt Construction Program, Beijing-Tianjin Sandstorm Control Program, Wildlife Conservation and Nature Reserve Development Program, National

Forest Conservation Program, Forest Eco-Compensation Program and Grain to Green Program (Liu et al. 2008). China also focusing on the development of less polluting and green energy supplies and increased its penetration towards the electric vehicles, also building the green and energy efficient infrastructure. Energy security and efficiency has become the core objectives for obtaining clean environment. Similar goals were set by COP26 summit a) a shift towards decarbonization and b) reduction in global heat rise to 2C (vogler, 2020; Nirwan, 2021). A progress plan for four areas i.e “coal, cars, cash and trees” was prepared. The “coal and cars” refers to the phasing out of coal and fossil fuels whereas “cash and tress” refers to the forestation, resource conservation and financial funding against the climate change (Smith et al. 2021).

The new economic measures gave more importance to improving citizen's overall well-being by focusing more on income, employment, health and environment. To increase the social well-being, China has taken many steps such as limited the work hours for tech sector employees and limiting the children's game playing on mobile phone.

The gross disparities of wealth and political backlash to wealth disparities made it a mandatory to be included a UN SDGs (Oestreich, J., E. 2018). To reduce inequality, increase balanced wealth distribution China has started curbing tax evasions and formulated new policies for banking and debt for local government (CRS Report, 2019). China also formulated the income re- distribution policy which will be implemented by expanding channels of income growth for the citizen, by expanding the middle-income group and by improving the redistribution mechanism of the wealth in country. These goals are hoped to be achieved by implying new wage policies, increasing the accuracy and intensity of tax system and allowing the charities (14th Five-Year Plan, 2021).

How China's Common Prosperity Objective can assist the world?

United Nations Sustainable Development Goals (UNSDGs) were adopted in 2015 to

replace the Millennium Development Goals (MDGs). The main goal of these SDGs was to put the short-term interests aside in favor of long-term goals. Governments, on the other hand, may find it challenging to switch from a continuous economic growth model based on finite resources to a sustainable strategy focused on the well-being of people and the planet (Rubio-Mozos, Garca- Muia, & Fuentes-Moraleda, 2019). Moreover, the complex governance systems of countries make the implication of the goals a nightmare. One way of successful implementation of SDGs is the adoption of an “adaptive governance system”. Adaptive governance system does not have a unified definition but it can be explained as a learning mechanism that enables for peer-to-peer learning and incremental development. Recognition of complexity and uncertainty in policy designs, implementation, and recognition of importance of local context and experiences are the major features of adaptive governance system.

The proponents of SDGs were making efforts for the adoption of SDGs across the globe but they lacked two things, a dedicated and powerful leadership for the implementation of sustainable goals also the pathway to achieve the sustainable development goals. China new centenary goal which is more people and environment centered, has set up a road-map for the world for implementation of SDGs. The experience of strong policy implementation and the status of high GDP country suggests that China can play a very important role in assisting the other countries in implementation and achievement of sustainable development goals.

The successful economic development and achievement of MDGs make China's development plan a perfect example of adaptive governance approach which the world can follow (Xue et al, 2017). The adaptive Chinese model rests on adaptation and learning which basically facilitated by policy experimentation. The policy experimentation further associated with periodic goal-setting. This adaptive Chinese model helped China in economic transition and policy formation and implementation. Researchers have already said that the globalization of economies made it almost impossible to keep the scientific and technological achievements of one country from benefiting the other countries (Xuetong, 2010) and the rise of China will

not only benefit the Chinese people but will also benefit the rest of the world. Being the highest economy of the world, China already has the power to reorganize the direction of the world economy. The country's emergence as an industrial and export powerhouse made it so much powerful that now China can force reshaping of contemporary world economies (Eichengreen & Tong, 2006). Under all these circumstances, it is very obvious that China, with its adaptive governance system and strong policy implication programs, can play a very important role in implication of sustainable development goals around the globe for human well-being.

Conclusion

The paper's major goal was to look at how new international economic measures and China's future common prosperity program are similar. Findings show that there is much similarity between the two as China is also working on the same policies such as job opportunities, income qualities, environmental protection and human well-being. Therefore both, China and international community, can work together to achieve the goals of sustainable future development. Moreover, the implementation of sustainable goal which has become matter of concern can be achieved by following Chinese adaptive governance system and principles of economic and social well-being. China presented his common prosperity objective with the aim to make it a modern socialist country which shares benefits with all and which focus more on human development and prosperity. The steps taken in this regard might be helpful for other countries. It can be said that China is in the position to lead the world in this matter of common prosperity.

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