MYTH #2: GNP/GDP Tell Us How Well We Are Doing

"Gross National Product[i] does not allow for the health of our children, the quality of their education, or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages, the intelligence of our public debate or the integrity of our public officials. It measures neither our wit nor our courage, neither our wisdom nor our learning, neither our compassion nor our devotion to our country; it measures everything, in short, except that which makes life worthwhile." -- Robert F. Kennedy[1]

What does GNP/GDP Actually Measure?

Economic considerations underlie many of the public policies that directly affect people's lives at the local, national, and international levels: How much does it cost? Is it worth it? Is it affordable? To answer these questions, and to compare the wealth of different countries or of a single country over time, one needs simple measure that uses globally applicable specific and uniform standards. Since the mid 1940s, governments and international institutions have used Gross National Product (GNP) or Gross Domestic Product (GDP) to make these comparisons.

In the driest terms, GNP and GDP are measures of production. GNP takes the total economic output of a country's goods and services, *adds* the income that residents of that country earned abroad from investment or other means, and *deducts* the country's goods and services owned by foreigners. That is, GNP measures production that generates income for a country's residents. GDP, on the other hand, measures the total economic output of goods and services valued at market prices that a national economy produces in a given period (usually a year), regardless of whether that country's residents own the resources. The United Nations System of National Accounting (UNSNA) provides guidelines on what to count – and what *not* to count – when measuring GDP so that the figure is comparable whenever and wherever it is applied.

GDP purports to show the relative health of an economy: when GDP grows, the economy is prospering; when GDP remains stable or declines, the economy is in poor shape. All very simple and clear. But is it true? In fact, GDP reveals very little about the real wealth of a nation and its people – and even less about their

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[i] As will be discussed below, the term Gross National Product (GNP) has for the most part been replaced with the similar term Gross Domestic Product (GDP). Both refer to essentially the same thing, at least in terms of what Kennedy is discussing. While GDP is now the common term, I also use GNP as many of the sources cited herein precede the formal change in measurement.

wellbeing.[ii] As former World Bank Chief Economist Joseph Stiglitz and others have written, one should not conflate market production and consumption with wealth, and especially not with well-being.[2] Despite these warnings, however, GDP continues to form part of the very foundation on which economic policies are designed and promoted as 'development.' In order to question the policies that are justified by GDP, people must understand the problem with the measurement tool itself.

The origins of GNP/GDP

American officials first used GNP in the 1930s to measure the effects of the Great Depression and to calculate the affordability of American involvement in World War II.[3] Years later, the 1944 Bretton Woods conference brought together representatives of forty-four countries to determine how to avoid future economic catastrophes, such as the one that had led to the rise of fascism in Germany after the First World War. By the time of the Bretton Woods conference, both the American and British treasuries were using methodologies based on GNP to analyse domestic economic activity, and the two countries significantly influenced the conference.

Delegates at the Bretton Woods conference established The World Bank and the International Monetary Fund (IMF).[iii] In response to Germany's postwar monetary crisis, they created the World Bank to loan money to countries in times of dire need, while the IMF was established to ensure the stability of monetary exchange rates and to promote international trade. Both institutions later evolved into far more powerful global entities that had the ability not only to determine but also to enforce their economic policies; many of these policies continue to be justified based on their potential positive effects on GDP. Following the Bretton Woods conference, the IMF and the World Bank adopted GNP as the primary tool with which to measure economic progress within and across countries. Ultimately, they used GNP to demonstrate that their financial goals of increasing international trade, privatizing social goods and services, reducing the number of people on government payrolls, and so on were the best choices for the world's economic wellbeing.[4]

Over the past few decades, most countries have switched to calculating GDP rather than GNP. The difference between the two is highly significant: according

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[ii] For ease of discussion, throughout this book I accord more of a personality to GDP than it deserves. GDP is simply a number resulting from a specified system of national accounting.
[iii] A more detailed discussion of the myths about the Bretton Woods Institutions (BWI) and their relationship to poverty and wellbeing follows later in this book.

to economist Marilyn Waring, the switch to GDP came about because expected improvements in the GNP of developing countries during the United Nations development decade (the 1960s) failed to materialize. The United Nations then told governments to switch to measuring GDP which demonstrated significant economic 'improvements' in many low-consumption countries due to foreign direct investment and foreign ownership of resources and local production.[5] With the growing emphasis on 'globalization,' it should perhaps come as no surprise that a measure that fails to distinguish whether a nation's wealth belongs mainly to foreigners or to locals should be the 'preferred' measurement unit.

Why GDP is not a good measure of wealth

Although it focuses on production, GDP is, in fact, a poor measure of wealth. It is useless as a measure of wellbeing. The following outlines some of its significant shortcomings.

(1) It reflects only averages. GDP is expressed in per capita terms: the total wealth generated within a country divided by its population. This approach would seem to make sense, as a lot of wealth shared by a few people is not the same thing as a comparable amount of wealth shared by a large population. However, GDP per capita does not tell us how evenly that wealth spreads across population groups in a country. It also ignores all individual, regional, class, race, ethnic, sex, and other differences. While some countries are clearly more materially wealthy than others are, high-consumption countries often contain pockets of intense poverty, just as low-consumption countries typically contain pockets of extreme wealth. Per capita GDP tells us nothing about the extent of such disparity or about the distribution of the limited wealth that it does measure. Even in Niger, which sits at the absolute bottom of the United Nation's Human Development Index,[iv] expensive cars roam the streets on which most people have to walk and supermarkets sell fancy French jams and cheeses while most people go hungry. The mineral resources of the country enrich the few – and often foreigners – rather than meet the basic needs of the many. Or, in the words of one local NGO activist, Niger is a rich country with poor people. To use the example of American economist, professor, and Nobel laureate Paul Krugman: when a billionaire walks into a bar, the 'average wealth' in the bar goes through the ceiling, but the other customers in the bar are no richer than they were before he arrived.[6]

GDP also says nothing about a country's economic structure. It fails to distinguish between an economy in which there are many small, independent businesses and one dominated by a few monolithic multinational corporations.

[iv] I discuss this in more detail below.

(2) Disasters are welcome. In 2011, disastrous floods wreaked havoc around Bangkok. People stocked up on rowboats and thigh-high rubber boots. Some people living in the suburbs had to row their own boats to a military station, then be taken by an army boat to the nearest operational public transit station in order to reach the city. The rebuilding of the roads and houses damaged by the flooding and the landslides actually *added* to Thailand's GDP, as did all those purchases of rubber boots and boats; however, the value of the houses, roads, and so on that were destroyed by the disaster were not subtracted.

While it is not entirely clear if intensive logging contributed to the floods in Bangkok, some disasters are entirely man-made. As American columnist and regular commentator on domestic and economic policymaking Ezra Klein wrote in *The Washington Post*, the disastrous BP oil spill in the Gulf of Mexico in April 2010 could lead to an increase in America's GDP. [v] After all, an estimated 4,000 workers were employed to clean it up. "This is a nice object lesson in the inadequacy of GDP," Klein wrote. "I could blow up the biggest building in every city in the country and the resulting reconstruction effort could mean a big temporary increase in GDP. But blowing up buildings is not a sustainable way to grow your economy."[7]

A car crash that requires someone to buy a new car, a fire that causes people to build a new home, or an epidemic that leads to an upsurge in medical care are all measured as increases in GDP. However, are the people involved really better off than they were before the disaster? To make the measure more meaningful and to make it clear that disasters are not desirable – economically or otherwise – GDP calculations should subtract the losses that occur from disasters.

(3) Work and consumption only count if money is involved. It is important to consider not just what GDP includes but also what it leaves out. For the most part, GDP only measures exchanges if they involve money. The rules for calculating GDP specifically exclude household work, collecting firewood and water, family members helping with family enterprises or working in the family fields, and caring for others. Such activities are counted only if they are done for direct wages or as someone's 'primary occupation;' but since most women globally do not have a single 'primary occupation,' most of the work that they do is not included in GDP. Most of the tasks typically performed worldwide by men, however, are. When the work that women do without pay is not counted, women are not counted, giving the impression that women fail to contribute to the economy.[8]

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[v] Disastrous as are oil spills, the everyday use of the car actually results in more spillage than do spectacular tanker accidents. Routine oil changes and leaks pour hundreds of millions of gallons of oil into the ground and waterways in just the United States alone each year. Jayne Holtz Kay, *Asphalt Nation* (Berkeley: University of California Press, 1998).

Such an impression contributes to gender inequality and can involve billions of dollars of distortions in economic thinking. Calculations of what it would cost to pay someone else to do the work that women do every day without compensation, such as caring for home and family as well as collecting firewood and water, would in many cases be in the billions of dollars per country, essentially doubling a country's GDP.[9]

Using GDP as a measure means that production and consumption for sale is more valued than work done by oneself, in one's home, and for one's family. A country in which people pay others to look after their children, elderly, and unwell, or where people buy most of what they consume rather than growing it or making it at home, appears richer than one in which such activities are done at the household level. GDP thus makes industrialized societies look much better off than countries whose citizens are more self-sufficient. It means that building a house only has productive value if people buy the materials and pay for the labour, rather than work on the construction themselves and scavenge for materials, even though either house clearly contributes to the wellbeing of those it shelters. Since unpaid work does not count, GDP increases only if everyone goes to work for someone else for wages, doing for others what they formerly did for themselves.

Part of the confusion about the value of paid versus unpaid work lies in the way that people talk about 'the economy.' The assumption is that the economy is one entity involving the exchange of goods and services in the marketplace. There are, in fact, several economies. In addition to all that is traded for money is the work done at no cost, the non-monetary contributions of Mother Nature, and the services provided by the public sector. All these economies can actually be more significant in terms of the amount of time people invest and the amount of value that changes hands than the market economy.[10] GDP's neglect of the other economies means that growth counts only when production shifts from the social economy to the market economy. This is nonsense: an apple or a fish has just as much value to the person eating it whether she acquired it by her own hand or bought it from a store, and work has value whether or not it results in wages.

(4) The more something costs, the better it is. Since what matters in GDP is money, things that cost more have greater value to a nation's economy than do things that cost less; free benefits are considered worthless. It is thus preferable, according to GDP calculations, to buy a car rather than a bicycle, to install an air conditioner rather than a fan, and to purchase packaged foods rather than eat the produce grown in one's own garden. Seen in that light, economists' obsession with GDP goes far to explain their reluctance to address climate change, to protect the environment, or to resist the growing strength of corporations such as agro-business,

car manufacturers, and petrol companies.[vi]

(5) Non-renewable resources, nature, and health have no value. Here too GDP is a faulty accounting system. Flourishing forests, unpolluted lakes and oceans, beautiful mountains, healthy habitats for various species, and urban parks are not treated as assets to be preserved, but are rather viewed as having no intrinsic value in and of themselves. They only gain value when sold or destroyed. Drinking water only has value if it is sold in a bottle. Forests only have value when the trees are cut down and sold; mountains only have value when they are mined. Since the loss of these resources is not deducted from the monetary gain that their destruction brings, the GDP calculation is only on one side of the balance sheet.

What of a company that opens a factory that will employ a few people and earn some money for the owner but that will dump toxic chemicals into the nearby river? GDP values the production that results; it is up to any relevant environmental agency or the community itself to decide whether to protest the dumping of chemicals. It does not matter whether a significant number of fishermen will be thrown out of work due to the pollution that comes from the factory or whether environmental harm will otherwise outweigh the factory's economic gains. In a similar vein, when logging companies engage in clear-cutting, nowhere does the accounting system force – or even allow – a country to subtract the cost of animal habitat loss or of protection against erosion from the wealth gained by the company that sells the wood. For years prior to the flooding in Bangkok, there was serious flooding in the northern regions of the country. Although coverage of the flooding filled countless pages in the newspapers, virtually nothing was mentioned about the role of deforestation.[11] Tolerance for logging may be due at least in part to its contribution to a rising GDP.

One cannot measure the economic benefits of logging in a sustainable fashion using GDP. GDP calculations do not allow for an analysis of whether the long-term costs of one project offset its short-term gains, or whether short-term restraint could lead to greater long-term gains. It would be like Prakash (from the story at the start of this book) selling his home and congratulating himself on all the money he has made while forgetting that his family now has nowhere to live.

(6) Shoddy workmanship and early obsolescence are valuable assets. The faster appliances wear out or become obsolete and need replacement, the better a

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[vi] As mentioned in the introduction, Naomi Klein has recently written a book on the issue of how capitalism makes it impossible to have a sensible response to climate change. See Naomi Klein, *This Changes Everything: Capitalism versus the Climate* (New York: Simon & Schuster, 2014).

country's GDP numbers look. The focus on GDP thus encourages an economy of disposal and replacement rather than one of reuse and repair. It also means that the growing tendency of manufacturers to create products that quickly grow obsolete (what, you don't have the latest model of mobile phone??) is considered economically beneficial, while the damage to the environment and the resource base caused both by manufacturing and disposal is ignored. David Korten suggests that another definition of GDP could be the rate at which we turn resources into garbage.[12]

(7) Harm away! GDP is blind to damage, be it to physical assets, the environment, or health. All production, no matter how harmful, counts as an economic benefit. There is no deduction for the harm caused in producing dangerous items. Since it is production that is counted – and not its effect on consumers, workers, the resource base, or the environment – economic activity that is harmful, such as coal mining, is seen to be worth more than many positive activities, such as teaching children.

We all know about China's amazing economic growth. What is easy to forget, because it is not talked about as much, is the basis of that growth. China has made itself into the world's dirty factory. Pollution rates are staggering. Cities are home to many chemical plants, and the air has become so foul in many of them that people are dying at alarming rates simply from breathing the air. The people who live there may be happy to have jobs, but is this the best that 'development' can do by them? GDP allows for the measurement of benefits, but the problems, being outside the UNSNA guidelines, go unnoticed and thus ignored.

Why GDP is an even worse measure of wellbeing

Over the years, many people have warned that GDP only looks at production and cannot measure wellbeing. As early as 1959, American economist Moses Abramovitz questioned the association that mainstream economists were making between growth in output and growth of human welfare.[14] Even Simon Kuznets, one of the founders of the measure, warned, "the welfare of a nation can scarcely be inferred from a measure of national income."[13] Yet, with the encouragement of mainstream economists, politicians, and the media, GDP has slipped in the consciousness of many into being a measure of wellbeing.

As Kennedy so eloquently stated, GDP ignores such matters as health, beauty, integrity, wisdom, and compassion. GDP does not take into account how well a country is protecting and preserving its natural assets and resources or how well it is doing at preventing the pollution of its oceans, lakes, rivers, soils and air, or at preventing the loss of various species, or at preserving urban amenities such as parks and playgrounds. GDP is silent on the deterioration of industrial and social infrastructures: the state of roads, sewers, schools, housing stock and other buildings. Nor does it say anything about the wellbeing of the poorest. Yet economists persist in viewing it as a measure of how well a country is doing.

There are other ways that GDP fails to measure wellbeing:

- ⌘ GDP ignores quality. It does not indicate whether or not food has any flavour or nutritional value, or how far it has to travel before ending up on our plates. Clearly, this is absurd, and as a bonus, it leads to those tasteless tomatoes we buy at the supermarket.
- ⌘ GDP ignores the percentage of the population that is unemployed, because the actual number of jobs is irrelevant to the measurement of production.
- ⌘ GDP ignores the conditions of employment. GDP does not reveal whether workers earn a living wage, how many hours they are required to work, whether their workplaces are safe (let alone pleasant), or whether their rights are respected. It does not distinguish between low-paid, insecure, and dangerous employment and jobs that allow employees to prosper. It does not indicate whether jobs are located near people's residences, or whether people must live hundreds or thousands of miles from their families, working for the welfare of a family they rarely see. Nor does GDP show whether a country has enough of the workers it needs: teachers, health-care providers, social workers, food safety inspectors, and so on.

It makes no sense to measure how well a country is doing using a single number averaged over the population that treats disasters as positive, makes no distinction between beneficial goods and services and harmful ones, and ignores much of what people value. When one uses GDP to indicate the quality of people's lives rather than just the extent of their production, people themselves cease to matter as individuals or citizens and become instead 'consumers'. Consumption becomes the highest form of expression of personhood, and the rich become inherently more valuable than everyone else.

Why is GDP still used to measure economic wellbeing?

With all these problems, why does GDP continue to be used as the most common tool to show how well countries (and, by extension, their citizens) are doing? The powerful defenders of GDP claim that GDP is simply a tool that does not reflect the biases and prejudices of its creators. Such a claim is clearly absurd. Measurement of GDP reflects a set of values that bear little relation to the values that many people share. It reflects a world economic system that has worked extremely well to enrich the few at the expense of the many. Those who like the system like the measure: measuring only production and consumption provides justification for their activities and for their wealth. It also serves the goal of allowing those whom the system benefits to feel that their growing wealth and social position do not come at a cost to those at the bottom of the social and economic pyramid, but rather contribute to the economy and thus to the wellbeing of all.[vii] More accurate measures of wellbeing would bring to the forefront the damage that has been caused by mainstream economics and growing inequality. They would show that the majority often fails to benefit from – in fact is often harmed by – policies meant to strengthen the system. Those who wish to maintain the status quo are in power, and GDP helps them hide the damage that their policies wreak throughout the world.

There have been updates to GDP measurements over the years, but they have done little to address major concerns such as the assignment of equal value to harmful and helpful products and the exclusion of most of women's unpaid work. This is hardly surprising, as few environmentalists – and perhaps even fewer women, not to mention 'housewives' – make up the ranks of UNSNA bureaucrats. Updating GDP is not a socially inclusive process, but rather one performed by bureaucrats who share a specific worldview. The persistence of GDP and its proponents' failure to make significant changes to it are due less to its virtues or to the lack of potential alternatives than to its defenders' power.

Hint: *When you read in the paper or hear someone talking about GDP, remember to ask: Why do we care if GDP is going up or down? What does that tell us about the wellbeing of people in the country they are discussing?*

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It seems that GDP reveals the most about what matters least and the least about what matters most. Unfortunately, it also helps to determine where governments invest money and what types of businesses and practices are encouraged. The constant efforts to increase GDP guide people down paths that they might otherwise not take. GDP thus leads to Grossly Distorted Priorities. The focus on GDP leads governments to make decisions that harm large numbers of people, including minorities and other vulnerable groups, and benefit only a few wealthy corporations and individuals.

[vii] An example is Dambisa Moyo, who in *Dead Aid* (2009) follows an incisive criticism of aid with a menu of self-serving actions designed to 'benefit' Africans, including extracting raw materials with the lowest possible payments to governments. She herself seems to forget that the point of the book is not to extol the riches to be made by exploiting Africa but to suggest effective remedies to the poverty across much of the continent.

Nicolas Sarkozy, the former president of France (2007-2012), has joined in the search for measures of economic performance that will do better at defining progress in a way that is meaningful to people's daily lives. As Sarkozy explains,

> If we refer to a representation of the world in which the services people render within a family have no value compared with those we can obtain on the market, we are expressing an idea of civilization in which the family no longer counts for much. Who could imagine that this won't have consequences?
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> If leisure has no accounting value because it is essentially filled with nonmarket activities such as sports and culture, this means that we are putting the criterion of high productivity above that of the realization of human potential, contrary to the humanist values that we proclaim. Who could imagine that this won't have consequences?
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> If the poor maintenance of transport infrastructures causes more accidents and higher repair costs, and even higher medical costs, which increase output; if we count activities that lengthen the distance between home and work and increase insecurity and exclusion as positive contributions to progress; if ever-growing nervous tension, stress, and anxiety undermine society, and the ever-greater resources devoted to fighting their effects are included in economic growth – if we do all this, then what, concretely, is left of our notion of progress?[15]

Replacing GDP with a measure that takes into account what people actually value would be a vital step towards the adoption of an economic system that promotes wellbeing rather than just consumption.

Towards a Better Way: Alternative Systems

"Too much and for too long, we seem to have surrendered personal excellence and community values in the mere accumulation of material things." – Robert F. Kennedy[16]

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Despite the defence of GDP by the wealthy and their allies, people have become frustrated with its limitations. Many individuals and groups have lobbied governments to create, test, and refine alternatives that could measure, to some degree, the quality of people's lives. "…[T]here is a consensus," writes Joseph Stiglitz, "that quality of life depends on people's health and education, their everyday activities (which include the right to a decent job and housing), their participation in the political process, the social and natural environment in which they live and the factors shaping their personal and economic security."[17] This growing acceptance that wellbeing is about a lot more than production of material goods has led some individuals and some countries, such as Bhutan, France, and Australia, to identify a better progress measure.[18] The following are a few promising options which, in some cases, have begun to be adopted.

Human Development Index

According to the United Nations Development Program (UNDP), which established and uses it, the Human Development Index (HDI) is a "new way of measuring development by combining indicators of life expectancy, educational attainment, and income into a composite human development index."[19] HDI is calculated using mean years of schooling for adults and expected years of schooling for children entering school; life expectancy at birth; and per capita Gross National Income.[viii]

HDI does not look, however, at non-renewable resources, the state of the environment, unemployment rates, or other important aspects of life. Various indicators of health – including infant mortality, maternal mortality, and life expectancy – are already measured nationally and globally, as are indicators of the number of people seeking jobs (employment sufficiency), the number of children completing school (educational performance), and incomes. The measure could easily add all of these. Since income is one of the few things that HDI measures, high-consumption countries naturally score higher, which still tells little about how much wellbeing (other than life expectancy and years of education) one actually 'buys' with that income. HDI is also not yet a widely used measure outside of limited discussions on health and education.

Despite its shortcomings, HDI is certainly better than GDP. It would be even better if the single composite number that it generates for each country included graphs or other explanations to show the details behind the different parts of HDI, to enable comparisons across countries while giving access to the separate elements within each country. A single number can only reveal so much. A country with low infant and maternal mortality could score poorly on education or employment, and vice versa. Our measurements need to be more complex to reflect the complexities of our societies.

[viii] According to www.businessdictionary.com, GNI is "The gross domestic product (GDP) of a country combined with its international income. [It] consists of government expenditures, net income from international assets and gross exports, with gross imports and indirect business taxes deducted."

Adjusted National Product

In the 1980s, Christian Leipert, currently a staff member of the International Institute for Environment and Society in Germany, proposed a measure that he called the Adjusted National Product (ANP). The ANP separates costs from gains in national wealth calculations. It involves identifying and then deducting so-called 'defensive expenditures' from GDP. Defensive expenditures include pollution control and clean up. They factor in the costs of urban sprawl, including the cost of providing additional utilities such as electricity, water, and sewerage over a wider area. They include the many indirect costs of cars such as injury and death, and loss of walkable and cycle-able environments. They include the various costs of domestic and international insecurity and social unrest: expenses of policing, jails, private security guards, security systems, and the military.[20] The sums are not insignificant: the United States alone spent about $700 billion on weapons in 2010,[ix] while all of Europe spent $376.3 billion.[21] Defensive expenditures also include the many manifestations of unhealthy lifestyles: all the costs associated with smoking, fast food and sugar-sweetened beverages (including soft drinks, energy drinks, and artificial juices), drugs, alcohol, industrial accidents and disease, and psychological and physical health problems resulting from unemployment, to name a few.

ANP thus attempts to distil the negative from the positive expenditures and points towards economic decisions that would result in better health and a cleaner and more attractive environment. However, who decides which expenditures are positive and which are not? As mentioned above, the United Nations System of National Accounting currently determines what production GDP counts. If the decisions about how to calculate ANP were more inclusive, then ANP would be a vast improvement over GDP.

While ANP has not gained much attention, similar measures exist. China created a 'Green GDP' index in 2006, which indicated that Chinese GDP would fall by three percentage points if it took into account environmental damage.[22] The World Bank calculates 'adjusted net national income,' which it defines as Gross National Income (GNI) "minus consumption of fixed capital and natural resources

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[ix] In *The Good Society*, John Kenneth Galbraith explains that "The American military establishment effectively and independently decides on its own budget, on the extent and the use of the money it receives." When I suggest to my tobacco control colleagues that we try to team up with others in the health sector to lobby for higher budgets for health rather than competing with other health programs for limited funds, they look at me funny. The gains we could achieve would compensate for the difficulty of the attempt.

depletion." While these are steps in the right direction, it is not clear what precisely goes into these measurements or how much they are being used. At the minimum, these alternative measures remind us that not all economic activity is beneficial.

Genuine Progress Indicator

A similar attempt to separate the good from the bad in national accounting is the Genuine Progress Indicator (GPI), which was developed in 1995 by Redefining Progress, an organization that seeks to shift policy "to achieve a sustainable economy, a healthy environment and a just society."[23] GPI raises the question of whether economic growth (increased production of goods and expansion of services) has actually resulted in improved wellbeing. Like ANP, GPI attempts to separate worthwhile economic progress from growth in unhealthy and polluting industries and activities. It relates to the business practice of separating net from gross profit, with net profit being the total income minus the costs incurred. GPI would thus be zero if the financial costs of crime, ill health, pollution, resource depletion, and environmental damage were equal to the financial gains of the production of goods and services.

GPI is a far more detailed measure than HDI, combining as it does not just three but twenty-six indicators over three areas (economic, environmental, and social) to arrive at a single measure of progress. Indicators include income inequality, the cost of underemployment, loss of wetlands and farmlands, depletion of non-renewable resources, the value of household and volunteer work, loss of leisure time, and the cost of commuting. One could use GPI to distinguish between countries in which economic growth is leading to more wellbeing and those in which it is not. The American states of Vermont[24] and Maryland[25] are now using GPI to give information on such issues as distribution and sustainability of wealth that calculations of GDP do not provide. Because it is more inclusive, it is a big step beyond HDI; like HDI, the single composite number would be more helpful if the various aspects that went into calculating it were also available.

Gross National Happiness

Perhaps the most comprehensive and promising approach, one that takes a big step away from GDP to address what people value rather than what they produce, is Gross National Happiness (GNH). Despite the name, 'happiness' refers to wellbeing, not to joy or good moods. GNH originated in the tiny isolated mountain kingdom of Bhutan. Bhutan is atypical in many ways, including its requirement that everyone wear national dress in public during the day, its complete ban on smoking, and the fact that it only introduced television in 1999. GNH reflects the importance that the Bhutanese government has given to the wellbeing of its population and to the preservation of its environment and culture.

Stefan Priesner, formerly Programme Officer for UNDP in Bhutan, explains, "It was Bhutan's perception that development ought to be people-centred, which resulted in decisions to invest scarce resources in social facilities rather than in industrialisation or the diversification of the economy to generate growth."[26] The point of GNH is to assess wellbeing rather than income. To again quote Priesner, GNH reflects "the perception of human well being as the fundamental objective of economic activity. … the aim is not economic efficiency, but a maximization of happiness."

Specifically, GNH looks at nine overall areas or pillars: psychological wellbeing, time use, community vitality, cultural diversity, ecological resilience, living standard, health, education, and good governance. Within those overall areas are thirty-three indicators, among which household per capita income is but one. Other indicators include safety, community relationships, literacy, ecological issues, and time spent working and sleeping. Importantly, the goal of the government is not only to increase overall GNH but also to address each of the areas in each of the population groups in which any component of GNH is poor. For instance, even if the population is doing well overall, the fact that people in the capital lack community vitality would be considered an issue that needs to be addressed.[27]

It might be difficult to adapt GNH for countries with far larger and more heterogeneous populations. However, given the acknowledged problems with GDP, it is a little too easy to dismiss the GNH alternative simply because it is being tried in exactly the sort of country where it naturally would be tried: a very different one from most others. In fact, the key concepts are replicable: one can measure whether people have time for activities beyond work and commuting; whether outdoor public spaces are used or empty; whether people have a say in their governance, or whether elected leaders appear more responsive to corporations than to the electorate. GNH has already gained tremendous international attention, with officials in France, the United Kingdom, and Japan now considering its use.

The question is not whether GNH or other alternatives to GDP are perfect measures. Nothing is. What matters is that we shift our focus from consumption to wellbeing, and that we replace GDP with a more adequate measure. In order to redress current economic woes around the world, national accounting systems must be more reflective of people's values. Better ways of measuring how nations are doing would help officials to understand and demonstrate whether current economic systems are helping or hurting the population. Alternatives to GDP must be flexible: they will have to be adapted repeatedly as countries gain experience with them to respond to current and ever-changing needs. However, it is not necessary to wait for a perfect replacement to start the process of moving to something better. Stepping away from GDP may be the first step in liberating ourselves from the economic system that it supports.

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How much wellbeing do countries buy with their GDP? *Unfortunately, there are no widely available estimates by country of GNH (or other improved measures) to compare to GDP. What is possible is to compare national infant mortality rates to GDP. One might expect that countries with higher average incomes would have lower levels of infant mortality. When most mothers can afford to eat well during pregnancy, access good health care, give birth in a safe place, and feed their baby properly, there will be less infant mortality than in countries where poverty makes such practices difficult or impossible. Yet infant mortality rates often fail to track closely with GDP. Indeed, as the following figure shows, there is often little direct relationship between the total amount of wealth in a country and the level of its infant mortality.*

Qatar, the world's richest country when measured by GDP, is worse off than 59 others in terms of infant mortality. Saudi Arabia, the 44th wealthiest, does worse than 114 others. Other poorly performing countries include the United States (14th in GDP but 56th in infant mortality)[x] *and South Africa (108th in wealth but 174th in infant mortality). There are some remarkably good achievers too: Costa Rica, Cuba, Sri Lanka, Vietnam, and Madagascar. Zimbabwe, remarkably, scores at the very bottom of wealth, at 227 (only the war-torn Democratic Republic of Congo is poorer*[xi]*), but ranks 155th for infant mortality.*

The following figure presents this information graphically, using the American Central Intelligence Agency's rankings for GDP and infant mortality.[xii] *Countries are not getting much wellbeing for their production if their infant mortality ranking is much higher than their GDP ranking.*

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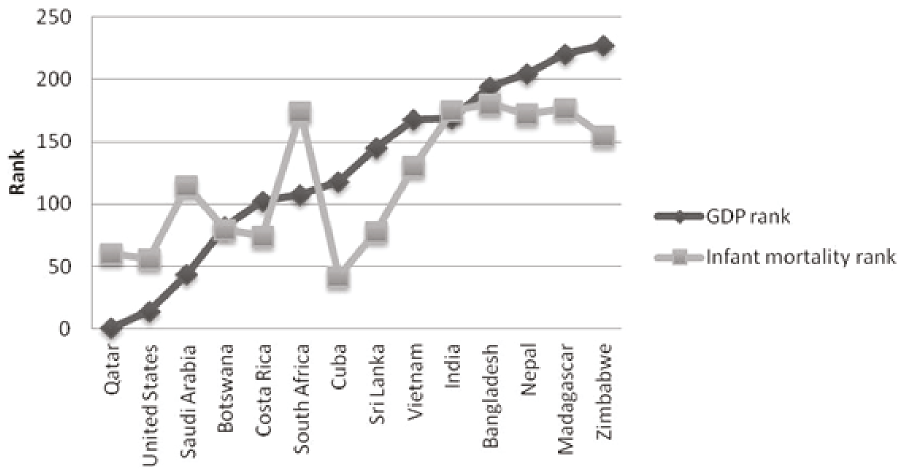
[x] Cuba, Hungary, Taiwan, South Korea, Slovenia, and the Czech Republic all have lower infant mortality than the United States.

[xi] Congo is extremely wealthy in terms of valuable minerals. Its poverty is due largely to the exploitation of that wealth – and the ensuing violence that facilitates the exploitation. See http://www.congojustice.com

[xii] The CIA ranks infant mortality (per 1,000 live births) from highest to lowest. Central Intelligence Agency, "The World Factbook," https://www.cia.gov/library/publications/the-world-factbook/ accessed 7 August 2014. To match these to GDP (which the CIA ranks in reverse), I ranked both sets of figures from lowest (best) to highest (worst). The CIA includes 224 countries in its infant mortality list, and 228 countries in its GDP list.

Figure 1: GDP versus Infant Mortality Ranks (Lower Number = Better Rank)



Notes

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