The Tyranny of GDP


"He who has enough to satisfy his want," a philosopher declared in the fourteenth century, "and nevertheless ceaselessly labors to acquire riches, either to obtain a higher social position or that subsequently he may have enough to live without labor, or that his sons may become men of wealth and importance--all are incited by a damnable avarice, sensuality or pride."

Whatever the motivations, Dirk Philipsen points out, "thinking about life as volume of economic output" has become an article of faith in the modern world. And Gross Domestic Product is the universally accepted measure of the state of every nation's economy.

A senior research scholar at Duke University, Philipsen explains the origins of GDP in the Little Big Number. He acknowledges, albeit grudgingly, that economic growth "initially" provided unprecedented opportunities to extend--and enrich--human lives. But he then provides a relentless (and at times repetitious) assault on a metric which, he insists, does not measure sustainability or social well-being. "The more central GDP has become," Philipsen insists, the more it redirected policy makers away from difficult questions about human welfare. Even though it produced more and more wreckage: "depletion of resources, climate change, erosion of communities, social decay, rapid decline of biodiversity, a stark divide between haves and have-nots - and resulting endless conflict." The GDP regime "is to quality of life what the waste dump is to nature."

Philipsen probably exaggerates the impact of his "little big number." An obsession with economic growth pre-dated the report, "National Income 1929-32," submitted to the United States Senate in 1934 by Simon Kuznets and a team of researchers at the Department of Commerce, which laid the foundations for GDP. And an obsession with economic growth would almost certainly have dominated public policy even if all non-communist countries had not
signed on in 1954 to GDP procedures as laid out in the United Nations' publication, *Standards of National Accounting*, and Eastern Europe and the Russian Federation had not accepted the same set of standards following the collapse of the Soviet Union.

That said, GDP does shape economic policies around the world. And, as Philipsen demonstrates, it is, indeed, a flawed instrument that fails to distinguish "between the good and the bad we put out." Goods and services do not appear if they are part of the cash nexus. If you marry your nanny, and he continues to clean the house and care for the children, you deflate the GDP. An oak tree that provides shade, generates oxygen, and revitalizes soil is not counted; if it is chopped down and sold for lumber or firewood it is. We count as a "plus" the mining and burning of coal, but do not "subtract" the depletion of resources, the pollution of air, water, and soil, or illnesses and deaths. And toxic clean-ups (along with pornography, cigarette sales and car wrecks) "contribute" to GDP.

In order to get loans from the World Bank, moreover, developing nations must understand prosperity, homeownership and the rise of suburbs; the welfare state; consumption; trade balances; taxes and public transfer payments; wealth and income distribution; and deficits and debts" in ways that mesh with the "one little big number." They might well have to boost GDP by ignoring social dislocation and exhausting mineral resources, cutting down forests, eroding soil, polluting aquifers, and hunting wildlife to extinction.

Philipsen is by no means alone is his criticism of the nature and uses of GDP. The World Bank, the European Union, think tanks, non-profits, and educational institutions have recently suggested greater use of other gauges and/or a "dashboard of indicators," including information about life expectancy, the carbon footprint, and the availability of health care, intended to measure "the things that really matter to people," that will help "define the parameters of decision-making - "regulate, incentivize, reward, and, if necessary, penalize."

So far, Philipsen reports, "the results are less than encouraging." Governments, financial organizations, and corporations continue to use GDP as the go to measure for success, "the golden arrow of global economic aspirations."

The GDP regime of economic growth, Philipsen emphasizes, is ill-suited to the challenges of the twenty-first century: "GDP does more harm than good. It should therefore be abandoned." Isolated at first, he maintains that the signs of stress related to GDP values are beginning "to multiply and deepen in intensity." The crisis, he claims, passionately if not all that persuasively, provides "a moment of possibility" to change performance measures as a precondition for altering what people do.

His call for a dialogue about setting new goals--sustainability, equity, democratic accountability, and economic viability--should command our attention. So should his suggestion that we "break the GDP spell" and establish measures, structures, and regulations that support these goals.

It won't be easy. But Philipsen is surely right that no task is more important.