

Opinion & Analysis

Cultish obsession with GDP fuels global crisis



**JOHN
GIBBONS**

Getting measurements and values wrong has taken us to the point where the planet's survival is at risk

YOU CAN'T manage what you don't measure. This well-known management dictum came into focus with the publication last week of a radical new set of proposals from a commission of economists assembled by French president Nicolas Sarkozy.

Since its development in the 1930s, countries have tallied their economic wellbeing almost exclusively by totting up their gross domestic product (GDP) figures. In plain terms, GDP is the measure of the total market value of all goods and services produced in a given economy.

This can have profound policy implications. Between 2000 and 2008, GDP in the US rose steadily. Since this is the figure media, markets and government latch onto, there were few hints of an imminent economic crash. However, in the same period, the US census data recorded a decline in American household income of about 4 per cent. GDP was increasing, yet families were getting poorer and personal debt was spiralling.

"What we measure affects what we do; if our measurements are flawed, decisions may be distorted," according to the commission headed by Nobel-winning economist Joseph Stiglitz.

In pure GDP terms, France, at just 73 per cent of the US, appears significantly poorer.

However, GDP critically ignores the value of services not supplied by the market, such as state-provided healthcare and education or unpaid child care provided by parents. The French also enjoy more leisure time. When these are factored back in, France's adjusted GDP per person was in fact much closer, at 87 per cent of the US figure.

GDP is unable to distinguish between different kinds of "activity". The huge cost to the US of incarcerating 2.3 million of its citizens actually boosts national GDP figures, yet it's hardly a useful indicator of societal wellbeing. Similarly, traffic congestion and cleaning up pollution actually boost GDP.

The obsessive focus on "economic growth" has become so ingrained a mantra that you would struggle to find an Irish economist or Government minister capable of completing more than two sentences without incanting it.

The charge towards growth-at-all-costs has driven dangerous risk-taking, chronic over-consumption and resource depletion, according to Mr Sarkozy. "Choices between promoting GDP and protecting the environment may be false choices," the commission says, "once environmental degradation is appropriately included in our measurement of economic performance."

Economists and policymakers in Ireland and elsewhere were dazzled by apparently

unstoppable economic growth between 2004-2007. By using the incomplete measure of GDP, they had been blindsided to the signs of collapse – growing economic and ecological debt – that are glaringly obvious once you know what you're looking for.

The market prices that underpinned our recent boom were also grossly distorted by the fact that there is no charge imposed on carbon emissions, and national income accounts fail to factor in these "externalities".

Similarly, the cultish pursuit of GDP has been foisted by the rich world on developing countries, who "may be encouraged to allow a foreign company to develop a mine, even though the country receives low royalties, the environment may be degraded, and miners may suffer health hazards, because by doing so, GDP will be increased", says the report.

Sustainability asks one simple question: can we at least maintain our current level of wellbeing for future generations? The answers are not reassuring. A UN/World Bank study in 2008 tallied total economic losses from overfishing at \$50 billion a year. However, catastrophic fishing practices perversely also boost GDP. Quite soon, there will literally be no fish worth catching, yet the way we measure actually champions this atavistic behaviour.

"It's ideas that determine the directions in

which civilisations go," said philosopher John Ralston Saul. "If you don't get your ideas right, it doesn't matter what policies you try to put in place."

The 2008 World Values Survey polled 350,000 people in 97 countries, and identified the Danes as the world's most contented citizens. It found that freedom of choice, gender equality and increased tolerance correlate strongly with increases in people's perception of happiness. Wealth is of course important, but no more so than access to healthcare and education.

The US, which is ranked the world's number one country by GDP, slumps to 16th in the values survey. Clearly, money isn't everything, and within the US, high GDP figures mask tremendous inequalities in income. In Latin America, strong social solidarity among the poor leads to surprisingly high levels of happiness.

Getting our measurements – and values – wrong has taken us to the brink. Speaking after this week's UN climate conference in New York, Taoiseach Brian Cowen warned failure to immediately tackle global warming would "put at risk the survival of the planet".

Whether this truly signals a radical shift in the Irish political mindset or is simply more eco-ventriloquism will become clearer when the budget is published in December.