Should we change the measures of economic progress?

Date: Thursday, April 10, 12:00 p.m. - 1:30 p.m.
Location: Museum of Northern Arizona
Facilitated by: Dr. Jona Vance, NAU Department of Philosophy

12:00 p.m. Welcome and Introduction
   Andrea Houchard, Director, Philosophy in the Public Interest

12:15 p.m. Dr. Jona Vance, NAU Department of Philosophy
   • Is Gross Domestic Product (GDP) an adequate measure of economic and (more broadly) human progress?
   • What are the best alternatives to GDP? Which layers of value should they measure? What principles should guide the development and use of such metrics?
   • Should environmental conditions factor in to such metrics only insofar as they affect human well-being? Why or why not?
   • What are some of the challenges that face alternative metrics to GDP? And what are the most promising response to such challenges?

1:20 p.m. Recap of discussion
Is Gross Domestic Product (GDP) an adequate measure of economic and (more broadly) human progress?

The GDP of an economy is the value of all goods and services produced for a given period of time. It was developed in 1934 by Simon Kuznets, who warned that it was an inadequate measure of a country’s welfare. In 1944, following the Bretton Woods conference, GDP became the primary tool for measuring an economy. It has gained popularity largely for its ability to summarize an economy with a single number, however, it has inspired much criticism for its inability to accurately measure a country’s social, political, and environmental states. Influential activist Riane Eisler asserts, “the real wealth of our nation is its people.” GDP is a reasonable measure of a country’s material wealth but does little to report its human wealth.

What are the best alternatives to GDP? Which layers of value should they measure? What principles should guide the development and use of such metrics?

Alternatives that attempt to account for the aspects of a society that GDP fails to measure focus on the need to address all aspects of society, specifically women, children, the elderly, and minorities. Health, education, the environment and community connectedness are also major points of emphasis for alternatives to GDP. Four of the most promising alternatives to GDP that have emerged are the Genuine Progress Indicator, the Happy Planet Index, the Social Progress Index, and Green GDP.

Genuine Progress Indicator (GPI)

The GPI starts with the same data as the GDP and is adjusted for certain factors. It is adjusted for income distribution, adds the value of volunteer and care work, and subtracts the costs of crime and pollution. It is given in monetary units so it is comparable alongside GDP.

Happy Planet Index (HPI)

The HPI uses data on life expectancy, experienced well-being, and ecological footprint to rank countries on how many long and happy lives they deliver per unit of economic input. The United States ranks 105th in HPI out of 151 countries measured, a stark contrast from the US’s number one ranking in GDP.

This informational handout was prepared by Anthony Wallace, a philosophy major and finance minor at Northern Arizona University.
Social Progress Index (SPI)

The SPI is a brand new alternative to GDP that intentionally excludes all economic factors. Instead, it rates countries based on three major categories: basic human needs, foundations of well-being, and opportunity. It calculates scores for all three of these categories based on a multitude of statistics including infant mortality rate, adult literacy rate, women’s average years in school, and greenhouse gas emissions. Its first official rankings in 2014 found the US to be ranked 16th.5

Green GDP

Green GDP attempts to subtract environmental costs from a country’s conventional GDP. It monetizes harm from environmental factors such as loss of biodiversity and climate change.6

Should environmental conditions factor in to such metrics only insofar as they affect human well-being? Why or why not?

Environmental factors are included in many of the alternatives to GDP that exist today. The common challenge that the creators of these metrics face is how to measure the impacts of environmental changes and balance these with other factors. Common environmental statistics that are taken into consideration include amongst many others waste per capita, carbon dioxide emissions per year, water withdrawals as a percentage of resources, and critical species protection. What environmental factors are most important and how heavily should they be considered? How can we measure the impact that an environmental decision will have on humans?

Should environmental conditions factor in to such metrics only insofar as they affect human well-being? Why or why not?

GDP is widely criticized and is almost unanimously seen as an inadequate measure of the well being of a country’s citizens. GDP is a only a measure of a country’s production, it was never intended, even by its creator, to be anything more. Why then is it still the dominant statistic when comparing countries? The biggest challenge to alternatives to GDP is its status as an iconic and easily understood statistic. It has been a part of our vernacular for so long that it has gained a foothold as the gold standard for economic progress. Its reign may be coming to an end though, opposition to GDP has never been more powerful. In 2004, Green GDP replaced conventional GDP in China as the primary measure of economic progress for government officials. The experiment did not last however, environmental factors reduced China’s economic growth to zero and the government reverted to traditional GDP.7 India has also committed to Green GDP, stating that it will replace conventional GDP in 2015 as the government’s primary measure of economic progress.8

“The valuable capacity of the human mind to simplify a complex situation in a compact characterization becomes dangerous when not controlled in terms of definitely stated criteria. With quantitative measurements especially, the definiteness of the result suggests, often misleadingly, a precision and simplicity in the outlines of the object measured.”

-Simon Kuznets, the inventor of GDP

Museum of Northern Arizona
GDP has a limited ability to measure a country’s economic well-being and no ability to measure its social or personal well-being.
HPI measures three main components of a country’s well-being: ecological footprint, life-expectancy, and experienced well-being. 4

Sources

1 http://www.foreignpolicy.com/articles/2011/01/02/gdp_a_brief_history
2 http://www.rianeeisler.com/documents/FINALEislerFinal1-14-09-10.pdf
3 http://rprogress.org/sustainability_indicators/genuine_progress_indicator.htm
4 http://www.happyplanetindex.org/data/
5 http://www.socialprogressimperative.org/data/spi
6 http://www.marketplace.org/topics/business/economy-40/alternative-indicator-green-gdp
9 Source: Adapted from Stefan Bergheim’s measures of well-being featured in “Beyond GDP: New Measures for a New Economy” (Daly and Posner 2011).
The “hot topics” in the Hot Topics Cafés are selected by community members represent diverse constituencies and viewpoints. We thank our committee for their participation.

**Flagstaff & Winslow**

Allan Affeldt  
*Owner, La Posada; Founder, Winslow Arts Trust; Former Mayor, City of Winslow; Board Member for: Arizona Town Hall, Arizona Citizens for the Arts*

Joe Boles  
*Professor Emeritus, Northern Arizona University*

Scott Deasy  
*Deacon of Epiphany Episcopal Church, semi-retired OB/GYN*

Coral Evans  
*Flagstaff City Council*

Jean Friedland  
*Compassion Project*

Patty Garcia  
*Coconino Community College District Governing Board, Nuestras Raices, Raymond Educational Foundation Board, US Geological Survey*

Jacque Gencarelle  
*Prevention Program Manager, Northern Arizona Regional Behavioral Health Authority*

Wayne Ranney  
*Geologist, Author, Grand Canyon river and trail guide, Board Member for: Flagstaff Festival of Science, Grand Canyon Historical Society (President), and Museum of Northern Arizona (Emeritus)*

Craig Van Slyke  
*Dean, NAU Franke College of Business*

Michael Vincent  
*Dean, NAU College of Art and Letters*

Randy Wilson  
*Editor, Arizona Daily Sun*

Harriet Young  
*President, Flagstaff AAUW*

**Sedona & the Verde Valley**

Jennifer Epperson  
*Executive Director, Imagiventure Foundation*

Angela LeFevre  
*Board and past president of the Democrats of the Red Rocks, Board Member for: Arizona Planned Parenthood, Keep Sedona Beautiful*

Barbara Litrell  
*Sedona City Council*

Elemer Magaziner  
*Sedona Citizens for Civil Dialogue*

Dan McIlroy  
*Sedona City Council*

John Neville  
*Executive Director, Sustainable Arizona*

Judy Reddington  
*NAU’s Arts and Letters Advisory Council, Board Member for: Museum of Northern Arizona, Sedona International Film Festival*

Doug Von Gausig  
*Mayor of Clarkdale, Executive Director of Verde River Institute*

Del Weston  
*Marketing, Hypertherm, Inc., Board Member for: Sedona Y.M.C.A.*

Jessica Williamson  
*Sedona City Council*

**Ex officio**

Robert Breunig  
*Museum of Northern Arizona*

Andrea Houchard  
*NAU, Philosophy in the Public Interest*

Ron Hubert  
*Hozho International*

Scott Sanicki  
*Sedona Public Library*

Robin Weeks  
*Osher Lifelong Learning Institute, Yavapai College, Sedona Center*

---

**Next Flagstaff Hot Topics Café:**  
*Is There a Humanitarian Crisis on the Border? If So, What Should be Done?*  
**Date:** Wednesday, April 23, 2014  
**Location:** NAU Franke College of Business, Gardner Auditorium

NAU’s Philosophy in the Public Interest is non partisan, and does not endorse any position with respect to the issues we discuss. **Philosophy in the Public Interest is a neutral convener for civil discourse.**