

By Invitation

Beyond GDP

György Széll

At least since the recent world wide financial crisis questions were raised if the rush for economic growth measured by the GDP is an appropriate tool. Fundamental issues like the quality of life and working life, social inequality, health, life expectancy, sustainability are neglected since then. In the 1960s these questions were raised e.g. Brundtland Commission "Our Common Future" leading to the United Nations Conference on Environment and Development in Rio de Janeiro. The Agenda 21 in 1987 was an important milestone in reconsidering the dominant economic policies and assessments. However, already in the 19th century the whole debate about the alternatives to the developing modern capitalism were discussed and practiced – the socialist, communist, anarchist, cooperative movement. "Another World is possible!" is the slogan of the World Social Forum since 2001, and may give the perspective for a world "Beyond GDP".

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Introduction

I am glad that the Indian Journal of Industrial Relations is dedicating this issue to a topic, which has been marginalized during the last world wide financial and economic crisis, although it is of highest relevance for a more just and peaceful world. It is a privilege for myself to be the guest editor of this issue, and we are proud to have been able to assemble excellent authors from different disciplines and different parts of the world to contribute.

Background

When Francis Fukuyama proclaimed the "End of History" after the break down of the Soviet Empire in 1992, it seemed that there did not exist any alternative anymore to the real existing capitalism, dominated by US-American capital and its military-industrial complex (Baran & Sweezy 1967). This world is since 500 years characterized by its violence, increasing inequalities, exploitation, and alienation on the one hand, and on the other hand through technical and financial innovations (Braudel 1992,

Polanyi 1944, Wallerstein 1974). The double book-keeping in Venice in the 13th century was the major breakthrough for modern capitalism, as it was from then on possible to calculate losses and profits on every investment. The GDP is just its emanation on the level of the national economy. It is the very core of capitalism to put everything into figures and numbers, and to count success on the background of permanent growth. But the other reality of capitalism is its permanent crisis, as already pointed out by Karl Marx and others. More recently the German sociologist Burkhard Lutz (1984) spoke about the 'Short dream of everlasting prosperity'. And the Hungarian-American speculator George Soros (1998) announced the 'The crisis of global capitalism'.

But the other reality of capitalism is its permanent crisis, as already pointed out by Karl Marx and others.

Since more than 100 years it is the financial capital, which is dominating the economy (Hilferding 1904, Luxemburg 1913). It does not create any use values but only the exchange values – in terms of the classical political economy. On the contrary it is just air bubbles – as the Internet bubble in 2000 demonstrated – and inflating the GDP. Instead of enormous profits – 40% and more – and according bonuses, it is not improving the quality of life of the majority of people, but only for a few. It is a transfer of assets from the real to a virtual economy. The circulation sector even destroying

real assets, cf. the bad banks. And the dominance of the financial capital is guiding by its short-term orientation the whole economy into a wrong, unsustainable direction.

In 1972 the first report to the Club of Rome indicated 'The Limits to Growth' of an economy, based only GDP growth (Meadows et al. 1972). André Gorz (1964) alarmed that the GDP growth included increasingly destructive elements, and that in the foreseeable future more use values, especially in the environment were destroyed than created. e.g. a car accident, which destroys goods, lives and/or handicaps people, is contributing to the growth of GDP. The German economist Christian Leipert demonstrated in his book 'Die heimlichen Kosten des Fortschritts. Wie Umweltzerstörung das Wirtschaftswachstum fördert' (The secret costs of progress. How the destruction of the environment promotes economic growth 1989) that already then 40% of GDP growth was destructive.

An answer to these analyses was the creation by the U.N. of the Brundtland Commission, which submitted its report 'Our Common Future' in 1987. There the old notion of sustainability, derived from forestry, was applied to the world economy, and led to the United Nations Conference on Environment and Development in Rio de Janeiro and the Agenda 21, which was an important milestone in reconsidering the dominant economic policies and assessments.

Unfortunately the countries of real existing socialism, i.e. state capitalism, with their planned economies were even worse in regard to sustainability than the countries, where private capitalism dominates. Instead of GDP-growth the 'ton-ideology' was practiced, i.e. the measurement of economic growth not in monetary terms but in volume and weight. Some of these countries with their planned economies still survive e.g. Cuba, North Korea, and Myanmar.

BRIC Economies

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On the other hand the emerging economies – led by the so-called BRIC-countries, i.e. Brazil, Russia, India, and China – with their enormous GDP-growth rates follow the bad examples of the Western countries. China, formally still a socialist country, is even leading the pack, and has become last year the second biggest world economy and biggest polluter. Actually China is a mixed economy, like all countries in the world are mixed economies, as some part, mainly the military, is always controlled by the state on its different levels – even in the U.S.A. or Japan, where the state quota is the lowest.

However, until today in large parts of the world a subsistence economy continues. And in many countries – es-

pecially India – the informal sector is still the dominant one, although the dependency from the formal sector and the money circulation is apparent, even if it is not counted within the GDP. But there is still another large sector of the economy, at least about 50%, which is not included within the GDP: It is the unpaid work, largely for reproduction – house chores etc., also neighbourhood help, barter exchange. The late French historian André Gorz (1980, 1983) described this part of the economy as the autonomous sector in contrast to the dominant heteronomous sector. In the autonomous sector alienation from work is overcome. As Karl Marx (1964) rightly described, the worker is only by himself when he is out of his workplace.

Another World Possible

At least the worldwide financial and economic crisis since 2008 taught us fortunately another lesson than the End of History: "Another World is possible!" is the slogan of the World Social Forum since 2001. But there have always been alternatives to the dominant capital system since its very inception: Diverse utopias (socialism, communism, anarchism) were conceived and practiced (Rosner 1975); the cooperative movement; the social and solidary economy; self-management (cf. Széll 1988). Initiatives like 'Gifts in Kind Natural', which distribute the overproduction to people who need without any payment, create fields out of GDP, but save use values, instead of destroying them (Kahn 2010)

Measurement Problems

In reaction to the problems enumerated above a number of initiatives have been developed to formulate alternatives for the 'Beyond GDP'. Probably the best known is the introduction in the Kingdom of Bhutan in the Himalayas:

"The term *Gross National Happiness* was first expressed by the King of Bhutan His Majesty Jigme Singye Wangchuck. It is rooted in the Buddhist notion that the ultimate purpose of life is inner happiness. Bhutan being a Buddhist country, Bhutan's King felt the responsibility to define development in terms of happiness of its people, rather than in terms of an abstract economic measurement such as *GNP*."

Some critiques have emerged in regard to the concrete living conditions in this remote country: e.g. there is no democracy; inequalities are quite marked etc. Nevertheless it gave a drive for further initiatives. So the so-called Happy Planet Index, and the Gross International Happiness Index emerged. Since 1992 the World Bank introduced the HDI (Human Development Index), which includes besides the GDP life expectancy and literacy rates, but it is largely biased by the GDP. Some studies replace the GDP per capita by the PPP (Purchasing Power per Person), which is, however, still based on monetary terms. In the follow-up other dimensions were explored with a high impact on sustainability:

1. Gender-related Development Index (GDI) and Gender Empowerment Measure (GEM)

2. Gini and Theile coefficients
3. The Human Poverty Index
4. Sustainable Scale
5. The Economist Quality of Life-Index
6. Transparency International Ranking
7. The 2006 Quality of Life Index, and
8. Quality of Living Report.

The British magazine *The Economist* has developed the following nine indicators for the measurement of the quality of life:

1. *Material wellbeing*: GDP per person, at purchasing power per person in US\$. Source: Economist Intelligence Unit
2. *Health*: Life expectancy at birth, years. Source: U.S. Census Bureau
3. *Political stability and security*: Political stability and security ratings. Source: Economist Intelligence Unit
4. *Family life*: Divorce rate (per 1,000 population), converted into index of 1 (lowest divorce rates) to 5 (highest). Sources: UN; Euromonitor.
5. *Community life*: Dummy variable taking value 1 if country has either high rate of church attendance or trade-union membership; zero otherwise. Sources: ILO; World Values Survey

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| 6. <i>Climate and geography:</i> Latitude, to distinguish between warmer and colder climates. Source: CIA World Factbook | 13. Working time per year/life |
| 7. <i>Job security:</i> Unemployment rate, %. Source: Economist Intelligence Unit; ILO. | 14. Transparency International Corruption Index |
| 8. <i>Political freedom:</i> Average of indices of political and civil liberties. Scale of 1 (completely free) to 7 (unfree). Source: Freedom House | 15. Low number of lawyers |
| 9. <i>Gender equality:</i> Ratio of average male and female earnings, latest available data. Source: UNDP Human Development Report. | 16. Low number of psychiatrists |
| | 17. Crime rate (homicides p.c.) |
| | 18. Illegal drug use |
| | 19. Percentage of military spending on GDP |
| | 20. Involvement in military conflicts |

The problem of the measurement of happiness and its correlatives is that these are very subjective, depending on the respective aspirations, education, the level of development of a society etc. These differences were already represented by Abraham H. Maslow (1943) by the five levels in his famous pyramid.

However, a closer look delivers at least another twenty missing criteria (cf. Széll 2009: 24):

1. Free and fair elections
2. Participation rate at elections
3. Pollution
4. Quality and availability of drinking water
5. Public transport
6. Public health
7. Retirement protection
8. Cultural life
9. Quality of food/cooking
10. Costs of education
11. Vocational training
12. Respect of labour standards

Recently, however, a number of OECD countries started to develop alternatives to the GDP. France was the first in submitting the report of the Stiglitz Commission, chaired by the winner of the Nobel Prize in Economics and former World Bank Chief Economist Joseph Stiglitz, in 2009 to measure global wealth more accurately and sustainably. The task was to overcome the “religion of numbers”, as the French President, Nicolas Sarkozy, phrased it, when he commanded the report. However, it has not been yet implemented due to the political lethargy after the 2008 crisis, although this crisis should be the main argument to favour such an implementation (Fitoussi 2011). In November 2010 the new British Prime Minister, David

Cameron, asked the National Statistical Office to establish a mode of measurement of 'general well-being'. A month later the Italian government followed, demanding a measure for the well-being of the country. As the President of the National Statistical Institute, Enrico Giovannini, put it: "The progress of a society cannot be measured only by a monetary criterion." Finally Germany established on 17 January 2011 a commission to rethink the limits of today's measurement of economic growth (Le Monde 2011).

Outlook

So, what are prospects for implementing on a large scale an alternative to the GDP?

The starting point for sure is to convene that the economy is not an end by itself, but should serve society.

The starting point for sure is to convene that the economy is not an end by itself, but should serve society. In which society do we want to live? Therefore it is about values – human values, not shareholder values –, which make life for the large majority of humanity worthwhile and sustainable. It is about the quality of life and working life – not the quantity. And it is also about the quality labour relations. The European Foundation for the Improvement of Living and Working Conditions – a tripartite institution with representatives from the European Commission, employers and trade unions –,

which does a great job since 1977. Not to forget the International Labour Organisation with its 'Decent work campaign', and the United Nations with its 'Millennium Goals'.

Other elements for a world Beyond GDP are:

- Solidarity, the very base of trade unions
- Corporate Social Responsibility (Széll 2006)
- Social Innovation (Harrisson et al. 2009)
- A social and solidary economy (Landriot 2011).

Finally, for succeeding the teaching in universities and schools has to take account of these choices. May be India can take the lead, being the largest democracy on earth, and still linked to some fundamental values – although torn by enormous social inequalities.

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