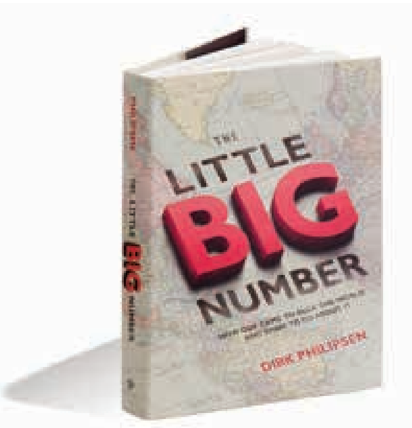
When Big Is not Beautiful



Dirk Philipsen

The Little Big Number

How GDP Came to Rule the World and What to Do about It

Princeton University Press, Princeton, New Jersey, 2015, 416 pp., $29.95 (cloth).

GDP is out of favor in some quarters. Some environmentalists take issue with the idea of prioritizing economic growth, measured by GDP, at all. Others argue that a wider perspective on progress is urgently needed. The global financial crisis, climate change, and the focus on inequality—all have contributed to a renewed interest in alternative ways of measuring how the economy is doing.

Many readers will therefore like the polemical tone of *The Little Big Number.* It looks at the history of GDP, its inadequacies as a measure of social welfare, and the environmental consequences of seeking continuing economic growth. It covers some of the same ground as a number of other books, including—from the same critical perspective—Lorenzo Fioramonti's *Gross Domestic Problem*, and—from a more nuanced perspective—my own *GDP: A Brief but Affectionate History* and Zachary Karabell's *The Leading Indicators*.

Dirk Philipsen's book has some additional historical detail but it is a rather emotional book. There are, for example, assertions like: "It is safe to say our ancestors, for some 200,000 years prior to the agricultural revolution, engaged in labour only to the very extent to which it helped them survive." Really? No cave paintings, ancient jewelry, religion? Or, because of our "fixation with the accumulation of things," trying to capture the reality of late 18th century life "by saying that people were poor would represent a fundamental misread." So were they not less well-nourished than we with more illnesses, and shorter lives, and many children dying in infancy? Did women (and even men) not spend hours in domestic drudgery? I do not hesitate to call people in the 18th century poor on this basis; it was nothing to do with a passion for accumulating cars or handbags. I don't want more than one washing machine but wouldn't be without the one.

The Little Big Number identifies the turn to growth rather than levels of national income as a policy aim in the 1950s. Philipsen attributes this to American optimism as the victor in World War II. Another possibility is that it was driven by the dawning Cold War, and the need to demonstrate over and over that the American system was superior to the Soviet one. Geoff Tily pinpoints a 1961 Organisation for Economic Co-operation and Development document as the first official reference to targeting growth, so quite a while after the end of the Second World War.

The second half of the book looks at the "beyond GDP" debate, oddly asserting that nobody paid much attention to the limitations of our conventional economic measurement between Robert Kennedy's assassination and congressional hearings in 2001. This is U.S.-centric; the global environmental movement kept the candle burning for alternatives all through that period.

Philipsen likes indicators such as the Global Progress Index. These show progress coming to a complete halt in the 1970s. This always seems absurd to me: even if the 1970s were a real turning point in terms of costs to the environment, which gets a heavy weight in such alternative indices, there has been a lot of welfare-enhancing innovation and straightforward growth since the 1970s. It's not just the invention of the cancer-busting drug tamoxifen or of the Internet, but the fact that more westerners live in houses with phones, indoor toilets, and central heating. Of course there is a trade-off with the environment but is that really no progress? Nor is Philipsen interested in the issues about defining either market output or social welfare for the growing category of digital goods that are often free and have strong public good characteristics.

The book advocates ditching GDP completely, and having a national dialogue about economic goals based on the principles of sustainability, equity, democratic accountability, and economic viability. It isn't clear how this prescription fits with the several "dashboard" initiatives under way now, which are described here. Named in a nod to the kind of indicator dashboards many companies use, these include a number of indicators meant to capture a broader sense of social well-being, such as work-life balance, environmental quality, and civic engagement. They were recommended by the influential Stiglitz-Sen-Fitoussi Commission in its 2009 report.

The dashboard approach is attractive, as is public consultation. However, it isn't yet clear which dashboard is best or what should go in it.

So the real need now in order to create a "Beyond GDP" set of social accounts is for the hard grind of the kind that the forerunners and creators of modern national accounts, Simon Kuznets, Richard Stone, and James Meade and their many colleagues, sustained through the 1930s and 1940s in creating GDP in the first place.

Some nominal aggregate measure of activity is necessary for fiscal and monetary policy. The national accounts statistics as a whole also contain a lot of the material that could furnish a meaningful dashboard, so again it would be a waste of an intellectual asset to ditch all of that. However, the answer to the underlying question, are we going to move "beyond GDP"? is a resounding "yes."

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