

The Trap Chapter 1: Measuring or Understanding?

You are clearly troubled by the dilemmas facing modern society.

Every society in the modern world is confronting serious problems which have no simple, universal solutions. But many of the problems have a common root. Science, technology and the economy have been treated by modern societies as ends in themselves, rather than as important tools to enhance well-being. The increase in scientific knowledge, the development of new technologies and economic growth are pursued as if they-and not well-being-should be the objectives of human effort. Social stability and sometimes entire cultures are sacrificed in the pursuit of these goals. I believe that this inversion of values is the cause of many of our ills.

You agree that economic growth and prosperity are useful, although you question their impact on society?

Of course industrial societies, such as our own, need economic prosperity. But I do not accept that economic growth is the principal measure of the success of nations. Look at the US and Great Britain. Modern America has created the greatest economic growth and the greatest material prosperity known to history. During the past fifty years its Gross National Product (GNP) has more than quadrupled, adjusted for inflation.¹ Yet American society is in serious social crisis.

In Great Britain there has also been a surge of material prosperity during the past fifty years. Its GNP has more than trebled in real terms.² So according to modern criteria, both these nations have succeeded beyond their grandest dreams. Nonetheless, both nations are profoundly troubled.

What do you believe to be the causes?

One of the defects of modern culture is that we are taught to believe that every problem can be measured in economic terms. But when society's principal tool is measurement rather than understanding, great mistakes follow.

Gross National Product is the official index used to assess prosperity. But GNP measures only activity. It measures neither prosperity nor well-being. For example, if a calamity occurs, such as a hurricane or an earthquake, the immediate consequence is a growth in GNP because activity is increased so as to repair the damage. If a great epidemic hits a community, GNP grows as a result of the construction of new hospitals and the employment of public health workers. If the crime rate increases, GNP grows as more police join the force and new prisons are built. We can take this even further. The cost of cancer in America is estimated at 110 billion dollars per annum,³ equal to 1.7 per cent of the GNP; the cost of drug abuse is 200 billion dollars,⁴ or 3.1 per cent of the GNP; the cost of crime is 163 billion dollars,⁵ or 2.6 per cent of the GNP. These three areas alone contribute 473 billion dollars, 7.4 per cent, to the nation's GNP, and they are all growing. These are extreme examples, certainly, but they demonstrate that GNP is not a qualitative measurement but

¹ *National Income and Product Accounts of the United States: Vol 1, 1929 - 1958*, Washington: Government Printing Office, 1992; News release from the US Department of Commerce, Washington, 29 September 1994. US GNP figures are in 1987 prices.

² Central Statistical Office, UK *National Accounts: 1994 Edition*, London: HMSO, 1994. UK GNP figures are in 1990 prices.

³ 'What About "Putting People First"?' , *Los Angeles Times*, 8 September 1993

⁴ Godson, R., and Olson, W., *International Organized Crime: Emerging Threat to US Security*, Washington: National Strategy Information Centre, August 1993

⁵ 'A Murder Shows the Crushing Cost of US Crime', *Washington Post*, 6 July 1994

only a measure of activity, good and bad. Nevertheless, all our official statistics are based on the one objective: growth of GNP. And our plans for social development are subservient to it.

What other kinds of false conclusions result from relying on the arithmetic of GNP?

The number is infinite. Take the example of two neighbouring families. In both cases, the mother of the family has decided to spend her days looking after her children and her home. Suddenly, one changes her mind and goes out to get a job. To look after her children, she employs her neighbour. Prior to this change neither of the women contributed to GNP because only activity resulting in monetary exchange is taken into account. While these two mothers looked after their own families without pay they did not contribute to the official economy and therefore, to the GNP. As soon as they changed their lifestyles and started to receive salaries they immediately contributed to the GNP.

Let's take another example. If a farmer cultivates a variety of crops so as to feed his family, his work is not taken into account in the GNP because the food that he produces is not sold. No monetary transaction has taken place. But if he stops growing a variety of crops and decides to concentrate on only one, a monoculture, then everything changes. He starts to sell his product in the marketplace and in order to feed his family he buys food grown by other farmers. By buying and selling he has become part of the official economy. Indeed, the value of the food he has grown might be counted more than once in GNP depending on how many middlemen have bought and sold it before it reaches the consumer.

GNP only measures activities in the formal economy which give rise to a monetary transaction. Therefore, economic growth can be increased by simply monetizing the informal economy and absorbing it into the official economy. That means destroying the informal economy because it removes it from the traditional framework in which it is embedded, thereby disrupting and destabilizing family relationships and local communities.

We measure the success of nations on the basis of their GNP. That is why we reach false conclusions and make mistakes with tragic consequences. We believe that it is our moral duty to spread to other communities throughout the world the model of society which provides the fastest GNP growth. The fact that growth is achieved at the cost of social stability is ignored. That is how the West has destabilized the world. We have convinced ourselves that there exists only one valid economic and social model: our own. By attempting to impose it universally, we have exported to almost every corner of the world our diseases: crime, drugs, alcoholism, family breakdown, civil disorder in urban slums, accelerated abuse of the environment and all the other problems that we experience daily. We have become so accustomed to these diseases that we explain them away by suggesting that they are no more than the normal phenomena inevitably associated with healthy economic development and progress.

What is more, as we fail to understand the causes of our problems, we are incapable of solving them. We deal exclusively with the symptoms.

But nonetheless, you agree that economic growth is necessary?

Of course, but it is important to remember that economic growth is only beneficial insofar as it serves the needs of society, consolidating stability and increasing contentment. The economy is a tool to serve us. It is not a demi-god to be served by society. During our conversations, I plan to describe three specific examples of how we have profoundly destroyed our social stability by using ill-conceived modern economic tools.

What are they?

Global free trade, intensive agriculture and nuclear energy. All are pure products of the Enlightenment, and as such are venerated by modern conventional wisdom.

Do you know of any national leaders who understand these problems?

They are rare. Almost every national government has fallen into the trap of counting and measuring without attempting to understand the consequences. In France over the past twenty years GNP has grown by 80 per cent,⁶ a spectacular performance. And yet during this same period unemployment has grown from 420,000 people to 5.1 million (the official figure is 3,3 million, but the government's own statistics show that various categories consisting of 1.8 million people have been omitted),⁷ The fact that such growth can be achieved while at the same time excluding over 5 million people from active participation in society—a proportion equivalent to over 22 million people in the USA should incite a government to reconsider its policies. Alas, that does not happen. All we hear is that if we could only achieve one-half a per cent or 1 per cent faster growth in GNP all would be saved. In the United Kingdom, despite growth in GNP of 97 per cent, between 1961 and 1991 the number of those living in poverty grew from 5.3 million to 11.4 million.⁸

However, every now and then in some unlikely place, one does come across different thinking. I once visited the small island of Anguilla in the West Indies, which at the time had a population of about 9,000 people. I lunched with the then Prime Minister. The island is very beautiful. It has long white beaches and hospitable people. I asked him about his plans for developing the island. This is more or less what he answered:

'This island is our island, and we are very happy living here. We have two alternatives. Either we can develop at a reasonable pace and in a way which supplies good jobs and well-being to our people, or we can choose the policy which has been applied in practically all our neighbouring islands. We can aim at rapid and maximum development. After a great deal of thought, we chose the former of these two policies. If we had decided to develop tourism as fast as possible and build great hotels and apartment complexes one next to the other, then we would need to move to a policy of massive immigration so as to be able to operate such an economy. We realized that the inevitable result would be that we would become a minority in our own country. And we would not be spared the growth in crime and drugs and other social tragedies

which seem to be the inseparable companions of rapid development, tourism and substantial immigration. Our island would no longer be the same. That is why I have always campaigned that we should be content with optimum development, capable of producing good employment for our people, while at the same time maintaining our way of life' .

Of course, this man had political opponents who held the opposite point of view. In neighbouring islands the price of development land was soaring.

Not too long ago, I visited Vietnam and was able to meet the group of people responsible for trying to find the right strategy for their nation as it emerges from communism. The kind of society which they are aiming at, and which is not yet totally defined, is known as 'the school of thought of Ho Chi Minh'. During our conversations, one question kept returning: How do we move from Marxism-Leninism to the school of thought of Ho Chi Minh without creating more Bangkoks, Rio de Janeiros or Mexico Cities? How do we avoid slums like Harlem and Watts? They had the wisdom to identify one of the major problems of economic development.

One final example. While I was visiting the kingdom of Bhutan in the Himalayas, the King in his annual address to his people declared that he was more interested in Gross National Contentment than in Gross National Product.⁹

⁶ 'Les "Lendemain Qui Chantent" du Libre-Echange Mondial', *Le Figaro*, Paris, 29 November 1993.

⁷ Institut National de la Statistique et des Etudes Economiques (INSEE), Paris, figures published on 7 March 1971 and 31 May 1994 respectively. (Among the groups excluded from the official French unemployment figures are, *inter alia*: all unemployed people over 57 years of age, the homeless, the long term unemployed, and those on various training programmes. Details are available from INSEE)

⁸ Central Statistical Office, UK GNP figures at 1990 prices, 13 September 1994; Goodman, A., and Webb, S., *For richer for Poorer: The Changing Distribution of Income in the United Kingdom, 1961-1991*, Commentary, No. 42, London: Institute for Fiscal Studies, June 1994. This study adopts the government's definition of people in poverty as those with incomes less than 50% of the mean income before housing costs.

⁹ King of Bhutan's annual speech, 1991

So, where do we go from here?

The problems are too complex and too widespread to be answerable with simple solutions. But we can discuss a number of examples which demonstrate how we in the West have lost our way. I hope that in the course of these discussions we might touch on some of the reasons why.