

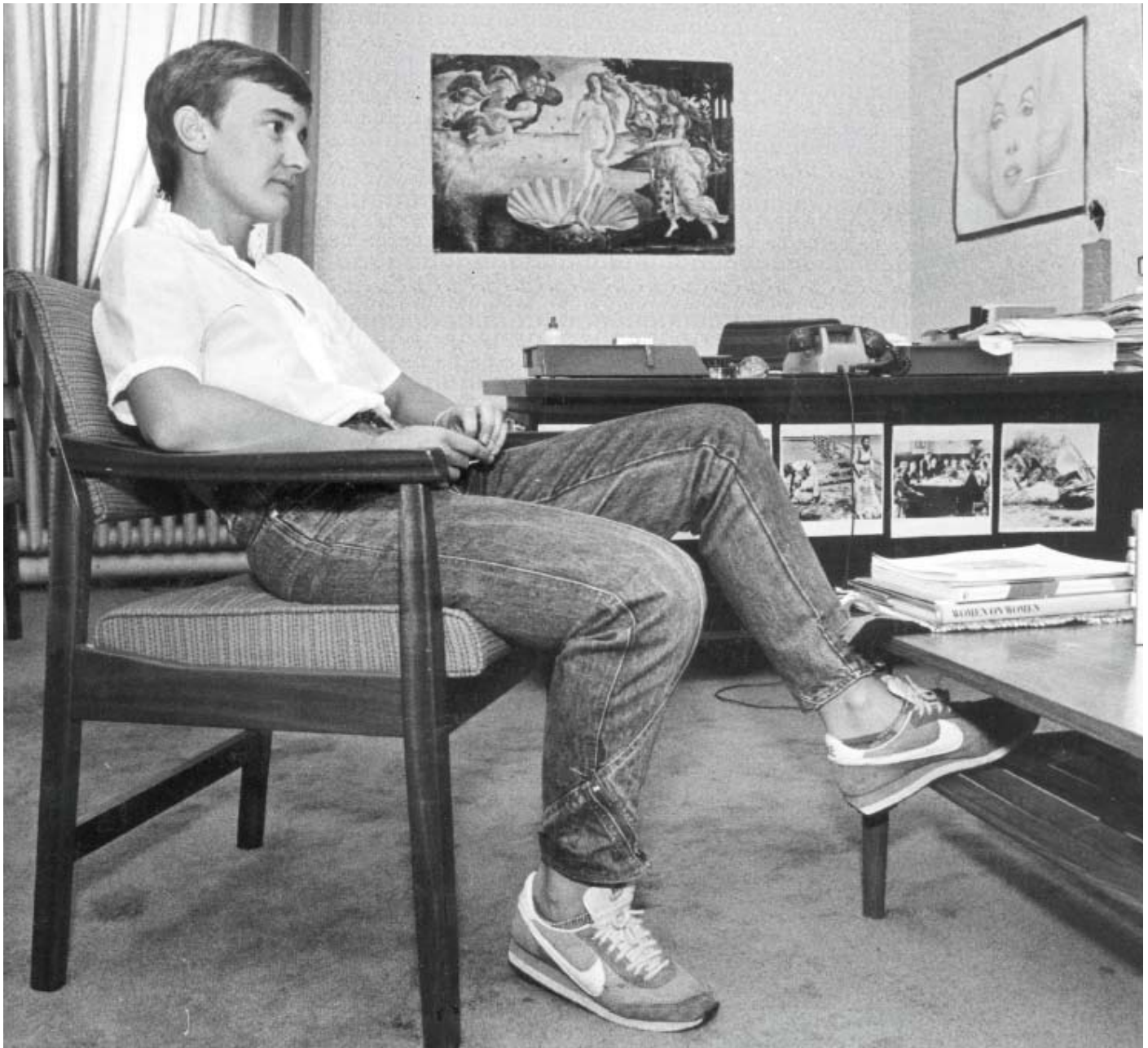
Who's COUNTING?

Economic growth. It's the Holy Grail – the best promise of a better tomorrow. Yet for 20 years Marilyn Waring has been railing against the GDP orthodoxy that ascribes value to a drug dealer but not a hospice volunteer. In the second of a two-part series on growth, Peter Malcouronne looks at the strange ways we measure wealth and wellbeing.

PETER MALCOURONNE IS A NORTH & SOUTH CONTRIBUTING WRITER. PORTRAITS BY JANE USSHER.







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Marilyn Waring in 1984, the year the young National MP crossed the floor and defied Prime Minister Rob Muldoon.

Her office, frankly, is beneath her station – it’s on the second floor of a tired 1960s block with scuffed mustard lino, chipped Gib and those Pinex ceiling tiles with hundreds of holes that schoolkids count during calculus classes. Old school. Weathered. Worn.

Yet this old office rather suits Professor Marilyn Waring, who heads AUT’s Institute of Public Policy on Auckland’s North Shore. A warm, down-to-earth woman with the manner of a favourite aunt, Waring, 57, is someone who values functionality over flash.

Throughout her working life, she has championed the unglamorous and the ignored: her

work, notably her political economy opus *Counting for Nothing: What Men Value and What Women Are Worth* is rooted in ordinary human experience.

“I grew up in Taupiri where everybody used everybody’s everything,” she says. “When I think about it, all my work comes from back there. From back home... from Raglan... from Waipa. Everything that’s in *Counting for Nothing*, I started thinking about in those communities.”

You may remember Waring as the butcher’s daughter who became a National MP aged 22 (still our youngest-ever parliamentarian), or as the woman who defied Muldoon and crossed the floor in 1984 in support of a nuclear-free New Zealand (prompting

a snap election). You may know something about her post-parliamentary work: the PhD in political economy, the fellowship at Harvard, the angora goat farm, the Reserve Bank gig (she replaced Ruth Richardson on the board in 2004). And you may also have heard about her books – the latest, *1 Way 2 C the World*, came out in May.

But it is *Counting for Nothing* that stands out. Lauded by economist John Kenneth Galbraith, the book’s a withering offensive against a “barren and murderous economic system” that Waring says is indifferent to what people truly value in their lives. It’s also an impassioned feminist critique of a system that ignores “woman’s work” in gross domestic product (GDP) calculations.

As Galbraith notes on the book's back cover: "The work of women is excluded from our national accounting and overlooked in economics in general. Now this splendid work goes far to fill this appalling gap."

"[My thesis] comes from the frustration of seeing the value in things that aren't deemed 'marketable'," Waring explains. "The environment. Subsistence work. Child rearing. Household labour. These aren't accorded value and so they're invisible to policy-makers. Ignored. They don't count."

"But what if they did?" As Waring asks in *Counting for Nothing*: "What changes might occur in global economic policy and practice if the worth of the planet itself, as well as that of the majority of its human population, were valued?"

It's wishful thinking. For now, economic growth – as defined by an increase in GDP – remains the central measure of the health of an economy (and, indeed, of society itself). In tough times, we just want to get the ship moving again rather than worry about its direction: it's taken as read that our GDP must constantly increase at a rate greater than other countries. Especially Australia.

But is GDP the right way to measure the wellbeing of society? Or the sustainability of an economy? Or the happiness of a community?

From 2000 until 2008, New Zealand's GDP increased by 31 per cent, our most impressive period of economic growth in half a century. But the logic of growth allowed no time for smug contemplation: to the contrary, there was much angst over how we might increase the rate of GDP growth. For to stand still is to fall behind.

GDP's so enmeshed in our lives that it's surprising to learn it was conceived only in the 1930s. Initially intended as a measure of employment, GDP became a crucial part of the war economy where it was vital to count every nut, bolt and bullet made.

In simple terms, GDP endeavours to measure everything – the total monetary value of goods and services produced within a country in one year. Specifically, GDP consists of consumption (most household spending); investment (the purchase of capital goods like machinery and software, also spending on new houses); and government spending (the salaries of public servants, spending on infrastructure and defence, but not transfer payments such as the dole).

To this we add – or deduct – the balance of trade (that is gross exports less gross im-



In 1989 the Exxon Valdez spilled 40 million litres of crude oil in Alaska's pristine Prince William Sound. Nearly 20 years later, oil tar still covers rocks like this. Waring uses the disaster as an example of the "nuttness" of GDP, because both the extraction of the oil and its clean-up boosted GDP – as does the litigation that continues to this day.

ports). This enables us to measure an economy's performance year on year, but also, once a cost-of-living adjustment is made, to compare the performance of different countries.

So how are we doing? With a per capita GDP of \$46,278, New Zealand's currently ranked 31st in the world, some distance off 17th-placed Australia (\$NZ64,084) and hopelessly behind Qatar (\$NZ141,877), the wealthiest country on Earth. As numerous politicians will tell you, New Zealand's not doing well.

But why should this matter, any more than if the bloke next door has a flasher car? Well, because GDP has not only become shorthand for wealth – but also for national wellbeing.

Still, utility theory – the assumption more is better – underlies almost all economics. Not without reason: industrialisation and development has brought immense benefits to humanity – life expectancy has increased from a global average of 31 in 1900 to almost 70 today (New Zealand's life expectancy of 80.2 ranks 10th in the world). Infant mortality has fallen from 156.9 per 1000 in the early 1950s to just under 50. While growth's riches are still shared unevenly (research by the New Economics Foundation shows for every \$100 of world growth, the poorest 20 per cent receive 60c), you will not find too many people in the developing world clamouring for less development.

But what of the world's wealthier countries

– will they ever reach a point where they have enough? Certainly, Galbraith recognised growth was not the panacea to all humanity's problems: "Sooner rather than later, our concern with the quantity of goods produced – the rate of increase in gross national product – would have to give way to the larger question of the quality of life that it provided."

“What is growth?” asks Marilyn Waring. “Growth means exploitation. Extraction. Deletion. Depreciation. Because

there's a lot of pathological expenditure included. For instance, both the criminals the Government wants to put in jail and the jails they want to build are good for growth.

“Whenever there's a financial exchange transaction, GDP goes up. It doesn't matter if it's illegal or immoral.

“The three biggest growth industries in the world at the moment are drugs, armaments and the trade in people. Huge. And they all count towards GDP.”

P, for instance, is a reliable contributor. The cost of the chemicals and setting up the P lab; the cost of repairing a contaminated P house; the cost of treating addicts and prosecuting (and defending) drug dealers: these add to GDP.

As do the monstrous sums spent on defence – and war. When Waring wrote *Counting for Nothing*, she pointed out that global military

expenditure was greater than the income of the poorest half of humanity. The cost of a single nuclear submarine, she noted, was equal to the annual education budget of 23 developing countries with 160 million school-aged children. But these sad facts are, in GDP terms, irrelevant: the sub's just as "valuable" as a million schools.

And then there's the Exxon Valdez disaster, Waring's oft-cited example of the "nut-tiness" of GDP. The 40 million litres of oil that belched into Prince William Sound in 1989 was counted twice – once when it was sucked out of the ground, the second when it was sponged out of the sea. The cost of collecting and incinerating hundreds of thousands of dead birds and animals boosted GDP. So, too, the litigation that continues to this day.

If this seems perverse, you may wonder who made up the rules. "While most people have heard of GDP," Waring says, "few have heard of the United Nations System of National Accounts [UNSNA]." Yet the UNSNA is at the very centre of things – it's the internationally recognised GDP measure.

Waring didn't wake up to the UNSNA's significance until she chaired the Public Expenditure Select Committee as an MP. "I learnt that, in the UNSNA, the things I valued about life in my country – its pollution-free environment; its mountain streams with safe drinking water; the accessibility of national parks, walkways, beaches, lakes, kauri and beech forests; the absence of nuclear power and energy – all counted for nothing."

What's more, she continues, the UNSNA "pays no heed to the preservation of natural resources or to the labour of the majority of [the world's] inhabitants."

What are the consequences of this? "The system cannot respond to values it does not recognise," Waring says. Policies – resource allocation, distribution, investment – are formulated on a selective, GDP-driven conception of economic activity. "The national accounts just record a pattern of economic activity. But from the outset, the figures are rigged."

First applied in 1953, the UNSNA ordained that four categories of work fell outside what it called the production boundary: subsistence production; the household economy; the voluntary and community work sector; and the informal (cash) economy.

"Ridiculous!" Waring scoffs. But the "villainy and incompetence" of the UNSNA mask something more insidious: if most of the work undertaken in the world is accorded no value, then its workers are worth nothing.

And this, she says, is profoundly unjust. "My

work has come out of small communities like Waipa. That's where I started thinking: 'Is it right that the woman farmer who broke her leg shearing is denied compensation because she's a 'farmer's wife' and not a 'worker'?"

There's a certain indignation, now, behind her smile: "Why are the 3500 New Zealanders who devote their lives to caring for a family member [who would otherwise be institutionalised] not considered to be working?" Yet if that family member is placed in an institution, the carers are classified as workers – and get paid – thus adding to GDP.

And excluding voluntary and community work from the definition of "productive work" has unintended consequences. Waring: "The last Time Use survey showed Maori men had significantly higher levels of unpaid community work than Pakeha men. When I see those things I get agitated about the invisibility of them: there are these racist stereotypes that don't stack up when you take account of the full working life and not just the paid working life."

But the voluntary sector is insignificant next to the single largest part of the national economy: the labour of New Zealand's household workers. Statistics New Zealand figures show the amount of time spent by men and women in unpaid work equates, at 40 hours a week, to two million full-time jobs (New Zealand's paid workforce is 1.7 million full-time equivalents). Even at the most conservative estimate, the work done by the household sector would – were it imputed in the national accounts – be valued at 39 per cent of GDP. But it doesn't count.

If this seems unfair – even arbitrary – then consider the UNSNA's decision in 1993 to adjust the boundaries of production. At a stroke, the production of goods in households for their own consumption, i.e. subsistence production, was included, though the production of household services (including meal preparation, child and elderly care and other family-related services) remained worthless.

"That sort of demarcation is completely bloody ludicrous," says Waring. "I do a lot of work in the Solomon Islands where it's 80 per cent subsistence." Waring is gender and governance adviser to RAMSI – the Regional Assistance Mission to Solomon Islands. "So what you're telling me is when I go to the river to get a bucket of water to wash the pig it's valuable, but when I wash my child it's not? And, moment to moment as I use it, I'm moving backwards and forwards across the boundary of production with some lunatic in New York deciding which bits are work

and which bits aren't?"

Unfair. And sometimes farcical. "Two years ago," says Waring, "the GDP of Greece went up 25 per cent. Overnight." Desperate to increase their GDP to conform to EU standards on debt, Greek government statisticians reworked their accounts to include certain ignoble industries as part of the service sector. "They said, 'Oh, we were forgetting to count prostitution and money laundering – we've just caught up with it now and popped it in.'"

Risible.

Waring grins. "No. Perfectly legitimate," she says. "Entirely in accordance with the UNSNA rules."

In 2006, Lord Stern of Brentford, former chief economist of the World Bank, presented his report on the economic impact of climate change to the British Government. "The scientific evidence is now overwhelming," he wrote. "Climate change is a serious global threat and it demands an urgent global response."

"The Stern Review has really blown GDP out of the water," Waring continues. "It's thrown into prominence the problem of only having a credit side to GDP and no deficit side."

For GDP accords no value to just leaving things alone. The natural world is intrinsically worthless in terms of GDP – its only value lies in what we exploit or extract. But here GDP contravenes standard accounting principles and common sense through counting the depletion of natural capital as income rather than as a depreciating asset. Consider the example of Nauru. In the early 1980s, the tiny island that once sat atop 80 million tonnes of high-grade phosphate boasted the second-highest per capita GDP in the world. Now, with its reserves down to 1.5 million tonnes – and four-fifths of the island a moonscape – Nauru's future rests in flogging passports, money laundering and overseeing Australia's outsourced refugees. It's GDP per capita has fallen to 135th in the world.

But advocates of growth assume resources are infinite (or cheap alternatives readily available). The reality is we're already in the age of peaks – peak oil, peak gas, peak uranium, peak agricultural production (world food inventories have declined from 120 days in 2000 to just 55 today), peak fish (the world fish catch has declined by 13 per cent since 1994). Meanwhile, the predicted D-Day for the disappearance of Arctic summer ice has been revised downwards from 2100 to 2015 in just four years. A quick aside:

is there a better example of the insanity of our growth fixation than the wrangling between Russia, Canada, Denmark and the US over drilling rights to the soon-to-be accessible Arctic oil reserves?

Now factor in growth, assuming a modest world population increase to nine billion by 2050. When you consider the unlikelihood of China, India and Indonesia, for instance, freezing their economic development at current levels, the problem's plain to see. Indeed, for nine billion people to live as wealthily as we do, they'd need to reduce their carbon footprint to one-30th of the levels New Zealanders produce now.

The clean green cloak we wear overlooks the fact New Zealand's ecological footprint, per capita, is the sixth largest in the world (an ecological footprint measures the amount of resources humans use and the waste they generate). A 2008 World Wildlife Fund study calculated that New Zealanders use 7.7 "global hectares" per person compared to a world-wide average of 2.7 hectares per person.

Ultimately, it's a numbers game. When modern capitalism emerged in the early 19th century, there were a billion people in the world. In 200 years since, we've climbed to seven billion.

This surge – the result of the industrial revolution, the medical advances that followed and the so-called Green Revolution post-WWII – brought about hitherto undreamed-of increases in productivity. But it's foolish to think this process can continue exponentially. There's a crucial difference between Great Britain's Industrial Revolution and what we now see in China and India: Britain in 1800 had a population of 10.5 million, 0.5 per cent of the combined population of present-day China (1.35 billion) and India (1.2 billion).

Of course, Western countries cannot credibly try to thwart the growth of the rest of the world. We can't demand that China's steamrolling growth stop for the sake of the planet, while maintaining our own privileged lifestyles. Not unless we're prepared to subsidise their sustainable development. Not unless we're prepared to give up our own pursuit of growth without limits.



The GDP measures everything," said Senator Robert Kennedy, "except that which makes life worthwhile."

Nevertheless, one of our leading economists argues GDP is easily, and unfairly, ridiculed. Of course, says Brian Easton, there are

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Economist Brian Easton

valuable things in our life that GDP ignores. "For instance, most of us value the Sunday family dinner. However, if we all go down to McDonald's, GDP goes up. And we're the poorer for it."

But knocking down the GDP straw man is too easy, he says. "We're using GDP for purposes for which it was not originally designed. Politicians have made it a measure of wellbeing or national happiness when it was never intended to be."

It is, Easton explains, simply a measure of money changing hands. "And it does this very well. We use it for forecasting purposes because it's the best figure we've got."

He notes that aggregate and per capita increases in national income say nothing about its distribution. And it's important to distinguish between "good" and "bad" growth, he says.

The former includes capital investment in the New Zealand economy – like improvements in our infrastructure; increased research and development monies; additional spending in education and training; incentives for small businesses. Such investment increases productivity and enables us to use the same resources more effectively and efficiently.

Then there's "bad" growth. A case can be made that New Zealand's boom of the past decade was driven by consumption on tick – a housing binge funded by overseas debt.

"You have to be very careful about the GDP figures," Easton cautions. "Unlike GNP [gross national product], GDP includes all the money – the profits – made here but that goes offshore."

GDP includes net exports (the balance of trade) whereas GNP includes net foreign income (the current account). As Easton explains, a small trading country such as New Zealand with a whopping current account deficit can still enjoy a relatively high GDP, but that doesn't necessarily trans-

late to a robust and sustainable economy. Or the good life for its citizens.

What might a meaningful measure of national wellbeing look like? Marilyn Waring, with the fervour of an evangelist, fires up her computer.

"This is the Alberta GPI [genuine progress indicator]," she pronounces. "Mark Anielski's work; it's brilliant stuff."

She has always had this thing with Canada: she frequently uses Canadian statistics – "the best and most detailed around" – in her work, and her 1995 film *Who's Counting?: Marilyn Waring on Sex, Lies and Global Economics* is the Canadian National Film Board's best-selling documentary. And she has described Anielski's Alberta study as "the most exciting alternative development in my lifetime".

Anielski set out to devise a holistic measure of Alberta's economic, social and environmental wellbeing. Not just for now, but into the future. He is, says Waring, trying to give substance to the clichéd phrases "sustainable development" and "wellbeing of future generations".

She opens up a "radar diagram" – picture a dart-board or spider's web – that's divided into 51 separate indicators of wellbeing. A point on the outside represents the best year ever achieved within each these: conversely, the worst year recorded (over four decades) is marked at the centre. Ideally, the entire circle would be filled in.

"So you can see you have strong economic growth here... and disposable incomes are pretty good. But down here? Suicide rates are huge, family breakdowns are huge, problem gambling's the worse it's ever been. Oil and gas reserves are tumbling, the carbon budget deficit's unbelievably bad and there's just about no forest left."

It's a pretty grim picture, Waring says. From 1961 to 2003, Alberta's GDP grew 483 per cent, an average annual inflation-adjusted rate of 2.2 per cent. But in the same period, its GPI has retreated by 20 per cent.

How did Anielski work this out? To calculate GPI, you need a base – your GDP. You then adjust it by adding previously uncounted benefits (such as housework, parenting, elder care, volunteerism), and deducting social costs (including the cost of crime, car accidents and income inequality) and environmental costs (such as resource depletion, pollution and deforestation). If GDP could be described as a country's income statement, think of GPI as its balance sheet.



Brian Easton: “Politicians have made GDP a measure of well-being or national happiness when it was never intended to be.”

Effectively, GPI asks Nobel Prize winner John Hicks’ question: “Can a nation’s entire GDP be consumed without undermining its ability to produce and consume the same GDP in the future?”

There are many other measures: some of the more intriguing include the UN Human Development Index that combines life expectancy, literacy, educational attainment and GDP (New Zealand ranks 19th); the New Economic Foundation’s dippily-named Happy Planet Index that ranks Vanuatu first, Zimbabwe last and New Zealand 94th; and Bhutan’s Gross National Happiness, that factors in living standards, health, education, ecosystem diversity and resilience, cultural vitality and diversity, community vitality and psychological wellbeing.

“Let me warn you about those indexes,” cautions Brian Easton. “They’re not statistically robust. People just put their opinions together over what’s relevant and what’s not. Where you come from politically de-

termines if something is a plus or a minus. GPI has some objective measures, but which ones? Which ones do you leave out? And what about the weighting? Weighting’s terribly important in all this.”

For his part, Easton favours Yale economist James Tobin’s measure of net economic welfare (NEW). Superficially, it seems similar to GPI and, indeed, Waring describes it as a “tempting conception”. However, she insists that a country’s people – not its politicians or its economists – should determine what their quality of life indicators are. “And that’s the big difference between New Zealand and Canada,” she says. “There the indicators are suggested by citizens.”

She opens up another graph. “This is from Nunavik, a newly independent territory in the north of Quebec. The Inuit of Nunavik are the indigenous people of the Arctic. And this is completely theirs; it comes directly from the people and the communities. It has fantastic things in it like – one of my favour-

ites – ‘the measure of value is not how many of us have a dog team, but how many of us *share* a dog team...’

“And here’s how the Inuit draw their concept of wellbeing. Nature embraces all. And community embraces family. The individual is real small in there. And what do they value? Being useful and of service to others... teamwork, collaboration, creative problem solving, environmental stewardship... That’s what they say their wellbeing is about.”

Waring looks out her office window. She contemplates the small-town Waikato upbringing that made and shaped her. The forest and pristine rivers of Mt Pirongia that she helped save from mining; the community that raised her; the knowledge they shared with her; the veggies that were bartered; the preserves and chutneys that were made.

“Tell me these have no value,” she says. +

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