"If you can't count it, it doesn't count"

"*Do you want my one-word secret of happiness? It's growth – mental, financial, you name it*," said the grown-up Harold S. Geneen, CEO of the once famous ITT. Making growth synonymous with happiness? Rich man, poor man! Some might say that such a statement is typical of golden age, American-style capitalism, and directly inspired from or reflected in the writings of W. W. Rostow or the Hudson Institute, et al.[1] Actually, the cult of growth has spread across economists, business leaders, trade unions, and the whole political spectrum. Governments anticipate growth figures like patients waiting for hospital scan results.[2] Almost every day, newspapers and other media report that higher economic growth is a boon and slower or negative growth a bane.

What are the measures? And what is measured? An old saying, probably coined by a bookkeeper (or was it a macroeconomist?) goes: "*If you can't count it, it doesn't count*." Although GDP still has its virtues, not least by making it "*clear about what it includes and excludes... and is comparable across countries*," it has shown its limitations too.[3] GDP growth is usually calculated in real terms, i.e. adjusted for inflation. Is inflation effectively measured? Not 100 percent sure. The subprime mortgage crisis was preceded by an unprecedented ten-year surge in asset prices (property prices doubled in most developed economies). How was this recorded when inflation

1 Walt Whitman Rostow was the author of the famous "*The Stages of Economic Growth*" (Cambridge University Press, 1962), often used as a manual in schools from the U.S. to Vietnam and other places. Leaving aside its "*my way or the highway*" tone, it still makes a worthwhile read on the process of growth. The Hudson Institute is a conservative think tank founded by futurologist Herman Kahn and RAND colleagues.

2 To use the words of Andrew Simms, policy director of the New Economics Foundation, in the Guardian: "*Growth is good, isn't it?*" (January 25, 2010).

3 Quoted from "*A measure remodeled*", an interesting article about growth indicators by John Thornhill in the Financial Times (January 28, 2009). For an alternative, use the Happy Planet Index (www.happyplanetindex.org).

was calculated? Every consumer in the Eurozone experienced large-scale price roundups in the wake of the euro inception. Where was this accounted?

Another limitation is that growth and related measures are purely quantitative and virtually overlook qualitative aspects. To take four well-known examples:

- Productivity measurement "*poses no fewer problems than its definition*" (G. A. Oyeranti).[4] Without going into details, productivity is nothing more than an arithmetical ratio between an output, or amount produced, and an input, or amount of resources used. Whatever the sophistication of models used to refine the definition and metrics, increasing productivity means doing more, but not necessarily doing better.
- Oil extracted from the earth, sold and consumed is considered an addition to wealth, and not as a depletion of resources.
- The more cars on the roads the better for GDP, and traffic congestion is accounted only through the millions of liters of gas burnt (thus recorded as a positive economic indicator).
- Health care is measured by inputs rather than by outputs, i.e. the sale of medical services and drugs increases "wealth" while the number of healthy people (the ones having to use the medical services less often) does not! Highlighting for a U.S. Senate commission the absurdities of excessively mechanical measures, Jonathan Rowe, a Californian author, quipped: *"Next we will hear about the "disease-led recovery". To stimulate*

4 Gboyega A. Oyeranti, professor at the University of Ibadan (Nigeria): "*Concept and Measurement of Productivity*" (Department of Economics).

> *the economy we will have to encourage people to be sick so that the economy can be well.*"[5]

Accounting, valuation and reporting indicators at microeconomic and business level are also far from perfect, hence the efforts towards "Triple bottom line" and "Balanced scorecards". In a book that addresses the "glaring deficiencies of financial reporting," and explains what to do to overcome them, Kaevan Gazdar reminds us that "*Both goodwill and blue sky are intangible assets*" and therefore impossible to figure and value.[6] The growth model of the last decade(s) is now in question. What is growth for if it is for overproducing, overconsuming, wasting, getting sick? All of that paid by more money. Furthermore, as the Asia Times columnist Henry C.K. Liu writes, is growth based on "*excess money*", credit overcapacity, and so-called "structured" finance not simply "*illusory*" growth?[7]

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5 Cited in the Financial Times (January 28, 2009). That humorous macroeconomic statement is a bit in line with the more serious analysis of "*Selfish capitalism*", carried out by Oliver James, a former clinical child psychologist and now a Guardian columnist, about the toll taken on populations' mental illness. Read: "*Selfish capitalism is bad for our mental health*" (The Guardian, January 2, 2008), or go to www.selfishcapitalist.com.

6 Kaevan Gazdar: "*Reporting Nonfinancials*" (Wiley, 2007).

7 "*Monetarism enters bankruptcy*", a brilliant analysis of the roots and consequences of the late-2000s financial crisis, by Henry C.K. Liu in Asia Times Online (January 6, 2009, www.atimes.com).