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The Mismeasure of All Things

STEVEN STOLL

ON A ROAD NOT FAR FROM MORGANTOWN, West Virginia, my guide pulled over to show me the peculiar color of a certain river. It was orange. The rocks and creek bed were a hue somewhat brighter than rust but duski-er than the reflective vests worn by utility crews. Years of drainage from coal mining tailings, high in the acid produced during the washing of the coal, had killed everything in the watercourse, rendering the water a moving hazard and contributing to the economic decline of the area. Coal had also sickened the bodies of miners, as well as the atmosphere.

Yet the years when rivers like the one I saw became industrial sewers were some of the most prosperous in the history of the state of West Virginia, when men and women were relatively well employed, cashing their paychecks to pay for groceries and rent, televisions and cars, medicine and property taxes. Every conventional accounting of the economic significance of the coal industry includes the wages paid, the small businesses sustained, and the quarterly profits of corporations, but not the rotted lungs, or the polluted waters, or the rising oceans that inundate low-lying slums in Bangladesh. These other effects, equally direct, receive no valuation when coal's contribution to economic growth is tallied. They are invisible to the gross product of West Virginia or the United States.

Gross Domestic Product (GDP) might seem benign enough. After all, it's just a number. But it has emerged as the principal way the public evaluates a nation's status and whether times are good or bad. News organizations report rising GDP as a sign of recovery, and stagnant or declining GDP as a portent. But GDP mismeasures all things. It is about as indicative of human progress as a body count is of success in war; it's not only blunt, but also blind to the destruction behind the number. It denies that "growth" makes us poorer in the long run and in the short run benefits only a few. The inventor of GDP, the economist Simon Kuznets, never intended it as an indicator of progress or happiness. Kuznets sent a report to Congress

in 1934 that included a new way of reporting on the state of the economy, but cautioned that “the welfare of a nation can . . . scarcely be inferred from a measure of national income.”

Yet advocates of economic growth seized Kuznets’s indicator and simply chose to ignore his apprehension. They reduce national welfare to national income, regardless of the social distribution or ecological effects of wealth. They look at history with the same foggy lens, missing the social relations behind the history of capitalism, as though everything preceding the Industrial Revolution was just a million-year recession. In their view, the problem with European feudalism was that it generated too little wealth, not that it was a social system built on violence. They see the steam engine as the invention that made possible the first explosive increase in worker productivity—rather than as a machine that created a poor and hostile working class in Britain and the United States. GDP soared, but the first industrial workers lived in sickness and starvation.

However, when we talk about national wealth, we tend to stress just the opposite—that it benefits everyone because a rising tide lifts all boats—when, in reality, as Robert Reich once quipped, it only lifts the yachts. Again, GDP obscures the truth. For example, divide our country’s GDP in 1790 (preindustrial) and 1890 (industrial) by the U.S. population at those times, and the increase per person appears remarkable. But these gains weren’t distributed equally. The apparent rise in individual income during that century also hides the immense poverty and environmental destruction that came as a consequence of growth. It tells us nothing of the violence between workers and employers for livable wages, an eight-hour workday, and basic factory safety. Affluence can be shared, or hoarded. Corporate profits do not create equitable living standards; only equitable public policy does that.

Consider the sale of a two-dollar t-shirt by a big-box store. The sale instantly becomes part of GDP, but there would have been no sale were it not for the undercompensated labor of the Cambodian woman who made the shirt. A Cambodian woman who, in one year, stitches and sews \$195,000 worth of goods is paid \$750. That calculates to a share of three-thousandths of every retail dollar. Meanwhile, many Cambodian workers aren’t paid enough to adequately feed their families.

Thoroughly globalized products present a problem for GDP as a measure. After all, what is a “domestic product” when the citizenship of product and profit are difficult to determine? The t-shirt’s costs stay in one country and its profits go to another. If the true cost of producing the t-shirt became part of its price, few households in the United States could afford to buy one. The profitability of the t-shirt and its volume of sales for the big-box store depend on below-subsistence wages and the absence of environmental laws. Economists call this externalizing—when the costs of production are dumped on the public, while the profits remain in private hands. To the extent that GDP represents millions of products shared across national economies, it is a highly subsidized number—in which other people and other places sustain

the true costs of growth.

For the past three hundred years, investment capital has besieged the earth, creating orange rivers and blackened lungs, yet the idea that growth is good remains more popular than ever. It's viewed as a social welfare policy that costs taxpayers nothing—there's no need to redistribute income if everyone is always in the process of getting rich. The antidote to socialism, in the American experience, has been supercharged capitalism, but a quick look at the last thirty years through the lens of the financial collapse of 2008 tells a different story. Real wages peaked in 1972, and thereafter living standards for American workers declined. Corporations undercut the modest prosperity of the working class when they realized that workers in other lands could turn the same bolt and stitch the same sleeve for a fraction of the cost. Corporate leaders demanded that domestic workers accept slashed benefits and stagnant wages or lose their jobs.

Given that high wages drive consumption, GDP should have plunged during the ensuing decades. But it did the opposite. Credit cards and subprime mortgages fueled this expansion. In other words, rather than create the conditions for real growth, banks and government developed a system that encouraged people with declining incomes and savings to consume more. They favored a short-term spike in GDP over actual prosperity. The rest we know.

If we counted up all the damage done in the name of growth—the unions busted when jobs went abroad, the lower wages and depleted benefits workers accepted for the same reason, the foreclosed mortgages sold by lenders in order to boost their earnings for shareholders; if we tally the rainforests cut, the ocean floors raked over, and the drought damage in Texas due to the highest CO2 concentrations in human history—the numbers would reveal a falling line. According to Friends of the Earth, the decline would amount to a vanished \$12,500 per capita. But if GDP and the assumptions behind it are broken, what would be a better measure of human welfare?

You wouldn't know it from the terminology and tenor of this campaign season in which GDP remains the unquestioned measure of national economic health, but there are a number of methods for measuring true progress rather than mismeasuring so-called growth. The Organization for Economic Cooperation and Development has invented its own Leisure-Adjusted GDP by adding in the recreational hours of workers; in 2001, Luxembourg, Norway, and Ireland led the world. Others include the Index of Sustainable Economic Welfare, which factors in resource depletion, pollution, and income distribution, and the Genuine Progress Indicator, which tries to determine if economic growth has improved a country's welfare. These kinds of estimates—and there are many others—value “quality of life” over “standard of living,” and they value healthy ecosystems.

One thing capitalist economies almost never measure—and therefore do not evaluate—are

the benefits, or “services,” they receive from environments at no cost. In conventional economic thinking, a forest has the value of the board feet it contains, but a forest also holds billions of gallons of water, which prevents flooding and keeps rivers and streams running clear. The trees hold soil in place that would otherwise roll down the mountain, muddying streams and rivers and destroying fish and bird habitats. Since fish such as salmon travel vast distances and spend half their lives in the oceans where they are caught, forest policy can end up affecting an industry seemingly far removed from the fate of Douglas firs. The totality of these ecosystem services, and the organisms that provide them, is called natural capital. Investing in natural capital, and coming up with a measure of its health and viability, would give us a different way of looking at progress.

For instance, we tend to think of investment as a way to make money, but it’s really a restraint on spending, because it requires delaying consumption now for the possibility of future gain. Investing in natural capital means not cutting the timber, leaving the fish in the ocean, keeping the mountaintop intact. The “interest” from this leave-it-alone policy consists of the ecological services (and less tangible returns) provided by the natural capital. Natural capital, in other words, yields not when it is extracted but when it remains in place, doing what it has always done.

There is rising interest in natural capital, and some of it comes from Google, which is developing an Earth Engine that would map things like soil fertility, deforestation, and other information having to do with the monitoring and measurement of environmental change. A team from Stanford University has invented software (called InVEST or Integrated Valuation of Ecosystem Services and Trade-offs) that puts a value on the benefits of mountain meadows and lily ponds. At the very least, these tools offer data to offset the claims of businesses focused on extraction.

And yet global ecological valuation also carries the danger that its definition of natural capital will blur into the same old drive for profitability. Corporations could claim to preserve natural capital in some self-serving way to fool the public into thinking that they’re doing something that they’re not. Worse, these tools might end up valuing only those services useful to humans. To the extent that we place our interests and needs above the inherent worth of a blooming desert or undeveloped waterfront, natural capital would presumably do nothing to prevent their destruction, particularly if they’re viewed as somehow insignificant. For instance, one might ask, “What has this salt marsh done for me lately?” If the question comes down to economic value, the salt marsh might fail to justify its existence.

There are other kinds of alternative measures. These are the indices of happiness that take into consideration the available resources per person, as well as the necessary food, water, open space, and services that we all need. These include the Happy Planet Index, Gross National Happiness measure, and National Accounts of Well-Being. Happiness indices

include thriving environments because they are necessary for thriving humans and place well-being above profit. This might be the most radical of measures, since it posits a standard for progress that exists outside of the economy. It says that there are behaviors other than accumulation and consumption, and systems for meeting needs other than capitalism.

A touchstone concept for every index of national happiness comes from the nineteenth-century political economist and moral philosopher John Stuart Mill and his theory of the “stationary state.” Mill pointed out that “the increase of wealth is not boundless,” and “we are always on the verge” of its end. Thus technological change runs up against diminishing returns, and so-called resource abundance can turn into acid-washed rivers, exploited forests, and depleted oceans. For Mill, the idea that life is and must always be a constant “trampling, crushing, elbowing, and treading on each other’s heels” for a dwindling bit of wealth led him to think that the cooling off of the economy into entropic stagnation might not be such a bad thing.

What might a post-growth economy look like? It would not be a utopia—an immediate effect would likely be increased unemployment and social unrest. But we are fully capable of creating equality and economic security for everyone, if we so choose. Workers might be given the choice of more leisure time rather than higher wages, with a corresponding drop in consumption for its own sake. Governments would make investments in natural capital (as they do now in national parks and wilderness areas) to maintain the ecological services provided by migrating birds and watersheds. Businesses would recycle everything, since it wouldn’t be possible to add to the total amount of matter in the economy—only change it into different forms. Schools and communities would teach sufficiency, not accumulation, as a primary value.

If we lack the imagination to see other modes of human prosperity, all of our hometowns and natural places could end up like parts of West Virginia and so many other environmentally compromised areas around the country and world—our forests and fields ripped out like entrails, our rivers deadened and stained, our working lives spent reproducing a material world that is killing us. GDP obscures the social relations that make up economic growth. It allows us to continue in the delusion that the domestic product can be isolated from the global economy, and it distracts us from looking at the planet’s degradation by upholding consumption as a standard of progress. It might seem like quite a lot for a simple number broadcast over the radio in the car on the way to work, but people can only evaluate what they can measure. Measuring differently is itself a revolutionary act.

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