

## Targeting Progress – GDP Isn't the Answer

**Targeting GDP growth has led to a world in crisis, from huge inequalities to the climate disaster – for true progress, the way we measure success needs to be changed.**

The UK experienced 7.4% Gross Domestic Product (GDP) growth in 2021. But what does that mean for the general population? [Average post-tax income fell](#) by 0.6% (mostly from low incomes falling), [total crime rose](#) to 18% higher than pre-pandemic levels, and [greenhouse gas emissions increased](#) 4.7% – this doesn't sound like growth. GDP measures the size of the economy: how much people spend on goods and services. If more things are bought, more things were made so the economy is larger. Everything is added by its price: an apple, a haircut, a billionaire's fifth supercar, a cigarette, or a BGM-109 cruise missile – the more expensive it is, the more it adds to GDP! In the September 2022 budget, the Chancellor Kwasi Kwarteng set a target of 2.5% GDP growth, emphasising its importance in the UK's recovery from the current storm of surging energy prices and inflation. In trying times, economic targets are crucial. Has GDP helped us so far?

At the beginning of his 1968 presidential campaign, Robert Kennedy famously said “[GDP] measures everything, in short, except that which makes life worthwhile”. Since its creation in the 1940s, GDP has defined political success and is the most common measure of progress globally. This is partly because it's calculated worldwide, making international comparisons easy. However, since Kennedy's speech, GDP has been heavily criticised. At the core of these arguments is what it doesn't account for. To name a few: equality, biodiversity, public health, and happiness – all things which matter in life, but don't contribute to 'growth'. This led to the 'Beyond GDP' movement which looks to develop new indicators of progress.

Measuring happiness has been a popular contender. A happy country means something's going right, so directly measuring happiness/wellbeing sounds like a great target for true growth. In 2010, the Office for National Statistics launched the Measuring National Wellbeing programme. Every year, they ask respondents how satisfied they feel with life and how happy/anxious they are. The questions are subjective, so it struggles to show the effects of specific policies, instead creating a more general measure. There is no evidence that these findings are being used alongside GDP to measure progress. While we need to keep an eye on national sentiment, GDP's successor should show whether a policy has been effective or not. If wellbeing can't fully replace GDP, how can we use it to improve economic targeting? There must be another way.

In 2008 French President Nicholas Sarkozy wanted to solve the issue once and for all. He commissioned a team of expert economists (Amartya Sen, Jean-Paul Fitoussi, and Joseph Stiglitz) to develop an alternative indicator of economic performance and social progress. They ended up with a 291-page report. One finding was that any combined measure will lose vital information. If a plant needs 10 litres of water over a 20-week period to grow, averaging that to '15 water weeks' doesn't tell us anything useful about how to nurture the plant. Instead, listing both statistics gives us a better idea, this is known as a dashboard. In the context of government targets, the dashboard would need to cover a range of socioeconomic measures – not just wealth but also health, inequality, employment, and environmental degradation to name a few. Stiglitz suggests this list is tailored to the needs of each country, with a rich democratic dialogue determining what matters most to people. Sometimes a complicated route is the best route.

Change has been seen already. In May 2019, New Zealand Prime Minister Jacinda Ardern announced the Wellbeing Budget: a new economic target to facilitate “decisions that aren't just about growth for growth's sake”. The budget has 5 priority areas including specific issues like lifting Māori and Pacific incomes and reducing child poverty. This custom-made dashboard allows government spending to focus on specific and current issues while still meeting their targets. It also means problems like declining mental health are spotted and funds can be directly allocated to the problem. When one part of the dashboard improves without sacrificing other measures, the economy is truly progressing.

So, what will happen next? Leaving GDP behind won't happen without a consensus on its replacement. There is clearly motivation to improve targeting. The United Nations Sustainable Development Goals aim to create measurements to “compliment GDP” [by 2030](#), so this heavily studied topic will become even more relevant as we approach the deadline. There will be a change. If you only take one thing from this article: it's that GDP growth doesn't define success. Growth at the expense of others isn't progress.

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