

REVELATIONS

Unveiling the myth behind G.D.P.

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Summary: *GDP is considered to be the singular summarising statistic of economic growth and prosperity for a nation since ages. But little did we know that it is in fact an inaccurate, untimely and vague indication of economic activity. Unveiling the myths behind GDP, this article brings to you a new overview of various economic indicators that have the capability of measuring economic growth and the reason as to why people still believe in a myth called GDP.*

Whatever you might think the progress looks like- a rebounding stock market, a new house, a good raise- the governments of the world have long held the view that only the measurement of Gross Domestic Product can really show whether things seem to be getting better or worse.

Deeply introspecting, which is better for a country's well-being: \$10 million spent constructing a jail or \$10 million spent producing a line of smart phones? Clear-cutting rain forests to produce \$10 million lumber? Or a storm that requires \$10 million in repairs?

Using today's most common shorthand of welfare, GDP, all of the above are equal. So basically GDP does what it was intended to do —offer a value of marketed goods and services produced in a country in a given time frame; a tally of manufacturer's shipments, farmer's harvest, construction spending...so on and so forth and it does it that reasonably well.

Where are we stuck then..? What is the problem in relying completely on GDP as an economic barometer?

GDP has been actively challenged by world leaders and international groups like Organisation for

Economic Cooperation and Development on the fact that it has not only failed to capture the well-being of a 21st century society but also skewed global political objectives towards a single minded pursuit of economic growth.

Further, GDP doesn't tell us anything about a typical citizen. Given that it measures average income, as income rises disproportionately for the well-to-do, mean income rises even though many regular workers see their pay-checks cut.

Also, GDP is highly inadequate as a measure of quality of life that is equitably shared and is sustainable. There's a need to account for environmental degradation and resource depletion.

Environmental and sustainable indicators offer a few good examples of how big the challenge is. There is a need to build in a "depletion charge" to GDP for the natural resources - oil, gas, timber, fisheries. In countries like Saudi Arabia, China, GDP might look very different if such a charge were subtracted from their economic outputs. But again environmental accounting isn't that easy to get through. We can put monetary values on mineral stocks, fisheries and even forests, but not on things like alteration of climate, loss of species and their consequences.

It's no less challenging to create measures that describe our social and emotional lives e.g., "Putting a number on HAPPINESS" ... There's a fair amount of skepticism about putting happiness into national dashboard of well-being. Currently, research suggests that increased wealth leads to increased feeling of satisfaction within our lives —a validation in effect, that higher GDP increased the well-being in a country.

DETHRONING G.D.P.?

When GDP was instituted seven decades ago, it was a relevant signpost of progress, increasing economic activity was credited with providing employment, income and amenities were supposed to reduce social conflict and prevent another world war. But the world today is very different from the one faced by global leaders who met to plan the post-war economy in 1944 in Bretton Woods, New Hampshire.

Emphasis on GDP in developed countries now fuels social and environmental instability, blinding developing countries to possibilities for more-sustainable models of development. Soaring economic activity has depleted natural resources, wealth generated is unequally distributed, leading to host of economic problems. Increasing crime rates do not raise living standards; but they can lift G.D.P. by raising expenditures on security systems. Despite the destruction wrought by Deepwater Horizon Oil Spill in 2010 and hurricane Sandy in 2012, both events boosted US GDP because they simulated rebuilding.

The criticisms for GDP have lasted since it was created, and the critics have sought to recast the criticism of GDP from an accounting debate to a philosophical one. Our reliance on such a measure suggests that we may still be equating economic growth with progress on a planet that is possibly overburdened already by human consumption.

The only way to repair such an imbalance would be to institutionalise other national indicators to reflect the true complexity of human progress.

So far, one measure has succeeded in challenging the hegemony of growth centric thinking. This is known as the HUMAN DEVELOPMENT INDEX (HDI), which turns 25 this year. HDI incorporates a nation's GDP and two other modifying factors: its citizens' education and its citizens' health.

Mahbub ul Haq has been regarded as the pioneer of human development approach of economic growth. He said, "the objective of development must be viewed as a selective attack on the worst forms of poverty. Development goals must be defined in terms of progressive reduction and eventual elimination of malnutrition, disease, illiteracy, squalor, unemployment, and inequalities. The concerns for more

production and better distribution should be brought together in defining the pattern of development."

Another economist who helped create the HDI was 'Amartya Sen', a Nobel laureate in economics who is a Professor at Harvard University. The HDI made its debut in 1990.

"Beyond G.D.P." is another e-initiative that talks about various other indicators that have the capability of measuring economic growth taking into consideration the social and environmental aspect of an economy. This website aims to promote sharing of information on recent developments and ongoing work.

There are four more types of alternatives that have been precisely formulated by some researchers to overcome the deficiencies GDP offers, namely, ISEW and GPI, based on corrections of GDP, sustainable or green(ed) GDP (also involving corrections of GDP), genuine savings/investments, and composite indexes.

Gross national happiness (GNH) was another such initiative started by His Majesty, the fourth king of Bhutan, Jigme Singye Wangchuck in the 1970s. It is a big idea that started from a tiny state and holds the capacity to change the world. Bhutan has already rejected GDP, since 1971, as the only way to measure GDP. Thakur Singh Powdyel, Bhutanese minister of education, who has also become one of the most eloquent spokespeople for GNH says, "It's easy to mine the land and fish the seas and get rich. Yet we believe you cannot have a prosperous nation in the long run that does not conserve its natural environment or take care of the well being of its people, which is being borne out by what's happening to the outside world."

The replacement of GDP by a corrected GDP or another (either or not monetised) aggregate welfare indicator means effectively the elimination of GDP as such. However, there is no sign that the world is ready for this.

Certainly there are some good reasons that explain why everyone has depended on it for so long. William Nordhaus, a Yale economist once said, "If you want to know why GDP matters, put yourself back in the 1930s, where nobody had any idea as to what was happening to the economy. Comparing the crises of 1930 to that of 2008, for finding a way out and tracking

what was happening in the economy, indices like GDP came to the rescue and made enormous difference.” To Nordhaus, GDP is one of the greatest inventions of the 20th century.

But criticisms of GDP go deeper and for years, economists critical of the measure have enjoyed spinning its flaws and limitations. They are somewhat correct in finding out its loopholes.

As it's often said that what you measure is what you get. Building the future we desire requires that we measure what we want, remembering that “it's better to be approximately correct than being precisely wrong!!”

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Economics of Religion

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Summary: *Economics has for long been known as the science of the rational. We seldom realise how society and individuals channel and mould this rationale. This article portrays the essence of economics being an omnipresent and ubiquitous science, for it is indistinguishable from other aspects of our life. ‘Economics of Religion’ tries to bring together the two most primitive yet immensely powerful forces that dictates man’s life. The two forces that might seem like chalk and cheese at a superficial glance are indeed intricately connected and the article seeks to establish and even prove the existence of this link in the real world.*

INTRODUCTION

Economics of Religion? Praying to the Lord Almighty to accelerate economic growth somehow or for your country to join the “developed economy” club soon may be? No, this is not what I am going to talk about here. Think of what comes to your mind when I ask you, “What according to you helps/makes economies grow? Some of your very first answers would be openness to trade (in the era of globalization, this being one of the most obvious things) or an educated

populace. Or maybe, greater national incomes. Some might even say that the type of political systems also have an important role to play.

But even in our wildest imaginations, what none of us will even think about is Religion. Yes, religion or religiosity as an independent variable can influence economic outcomes (such as growth/development).

HOW WE UNDERSTAND RELIGION

To grasp this, it is vital that we first reflect on our understanding of religion. Human beings possess an innate and undeniable instinct for prayer. We can assume that a mixture of fear, awe and respect towards the natural world and its phenomenon, quite naturally led to the human expression of prayer. Religion came into being in response to this. It is not the other way round. Now it only makes logical sense to conclude that something that is so primitive to human beings will definitely have a bearing on the way they “behave”.

In the economic scenario, the very same human being is our economic actor who takes decisions with regard to production, consumption and savings with an underlying aim of maximizing his utility. These