MEASURING PROGRESS AND WELL-BEING BEYOND GDP IN SMALL STATES

GDP was first adopted as a measure of economic performance in the 1930’s and since then has rapidly gained prominence as the best and most recognized means of quantifying growth and development. Despite being an invaluable tool for economic policy, GDP is unfit to reflect many of today’s challenges, especially for small states. Basically, it is only a measure of the economic value of what is produced and paid for; but unfortunately, does not take into account what was produced, the environmental and social costs, how the wealth is distributed, who spends it and on what it is spent. In a nutshell, GDP measures the progress of the economy, but not the society; which is also just as important. In recognition of this, it is necessary that we complement GDP calculations with indicators that reflect social and environmental priorities so that holistically, we are better able to measure and reveal the true state of progress, well-being and development in our nations and as such respond to the challenges and needs of our world economies today..., which brings us to the questions of what is progress and well-being and how this should be measured.

Progress and well-being are very subjective terms that can be defined in many ways and mean many different things to different people. These are as loaded as the term ‘development’, but what is clear in any definition of the terms, is the idea of an improvement in the standard of living of citizens, the quality of life available to them, people’s happiness and satisfaction with life. Equally important to this definition is the fact that progress is a process towards a goal, and given differing national goals, the measurement of individual progress is not readily standardized or comparable across states.
Thus measuring progress and well-being is a challenge in itself mainly due to difficulties in defining the terms and its determinants. In any case, measures of well-being must necessarily take into account measures which account for levels of literacy, life expectancy, access to health care, employment opportunities, safety and security, poverty, income distribution and the sum of all things that contribute to the quality of life of a nation’s citizenry. Necessarily quantifying and integrating all of the facets is quite a task and due to the relative ease of calculating GDP, it has historically been the go-to measure of economic activity, progress, development and well-being.

The question must now be asked: is GDP fit to measure national development, well-being or progress? GDP measures income, but not equality, it measures growth, but not destruction, and it ignores important values like social cohesion and the environment. It is a measure that shows positive growth after a war or natural disaster while saying nothing about the societal or environmental damage; a measure that finds a country to be rich even though laden with pronounced pockets of poverty, crime, illiteracy and other social ills. What exactly makes a country rich? Surely its natural resources, the expertise of its people, the scope and depth of its culture, the development of the people and the principles on which the country is built must count for something. Yet, all of these critical elements are not included in the measure of a country unless they are packaged for sale. As Bobby Kennedy said, “GDP measures everything except that which makes life worthwhile”.

Because GDP measures only monetary transactions related to the production of goods and services, it is based on an incomplete picture of the system within which the human economy operates. A more complete picture would show how the human economic system fits within the social and environmental systems upon which it depends.

Such information would provide a clearer picture of the true state of not only the economy, but also the society and allow us to better measure the progress of our people. It would relay not only how much money is moving throughout the economy but also who is able to access it and who needs it the most. It is with such vital information that policy makers are better able to make more informed decisions and enrich the country in not just a monetary sense but also in a truly physical, comprehensive way.
The inclusion of these complementary measures of well-being is particularly important in the context of small-states, partly because of our limited capacity, resources and expertise as well as our susceptibility and volatility to natural and economic pressures in the world market. As such, small states are easily marginalized and often have very sub-standard and limited social safety nets; thus the hidden poverty and inequality not accounted for in the GDP is of greater consequence in small states.

So..., how can we supplement GDP to more accurately represent improvements in quality of life?
While, not suggesting that GDP has no value, GDP simply measures what it sets out to measure; the volume of a country’s economic activity in terms of its productive sectors. However, to truly account for the progress and well-being of a country, there is a wealth of other more suitable indicators that can be used. Very inclusive, integrated measures such as the Human Development Index, Ecological Footprint and the Physical Quality of Life Index take mortality, literacy and life expectancy into account in order to ascertain a more accurate picture of the real state of living standards and quality of life in a country.

For example when considering the holistic standard of living of a country using the Human Development Index, statistics show that Italy is ranked slightly below the United States suggesting a similarity in the quality of life enjoyed by its citizens; however, when comparing their GDPs, the United States grossly outperforms Italy suggesting a vastly superior living standard, which is both confusing and misleading.

In conclusion, GDP should not be replaced but indices that better reflect the well-being and progress of our people must continue to be developed. The legislative is given a mandate by the people to look after their well-being but is faced with the challenge of being able to determine at what point the level of welfare of a people is deemed satisfactory. As such, Legislators must be mindful of what they desire for societies remembering that well-being is not just growth; it is also health, environment, spirit, and culture. It is more than just statistics. It is also a way of thinking and the goals we set. After all, a country should be judged by how it provides for its most vulnerable.