

# How are we (really) doing? On overcoming "GDP Myopia."

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Let's say you ask a friend how he or she is doing. They respond simply that they've recently gotten a raise or took a pay cut. Would you feel you've gotten the whole picture? One that gave you sense of how you could be a supportive friend? You'd probably say, "great" or "tough luck," respectively, and leave it at that.

Now think about the political dialogue in the US as we head into a presidential election year. In times of economic downturn, Ronald Reagan effectively asked the "raise vs. pay cut" question to the voting public: "Are you better off than you were four years ago?" Economic downturns truly focus the mind. But with four years of steady economic growth, as measured by GDP (about 3.8% a year on average,) no one – *in either party* – is asking that question. Instead, we have no shortage of Republican and Democratic presidential contenders raising deep concerns about the state of America's wellbeing. Without taking sides, the topics being raised – including income inequality, ecological threats, social cohesion, physical security, fairness and social justice, geographical integrity, identity, health status and education access – are both numerous and instructive. Moreover, the public on both sides is responding with intense interest. These are clearly relevant topics and provide compelling evidence that our growing GDP is not providing the full picture of how Americans are feeling these days.

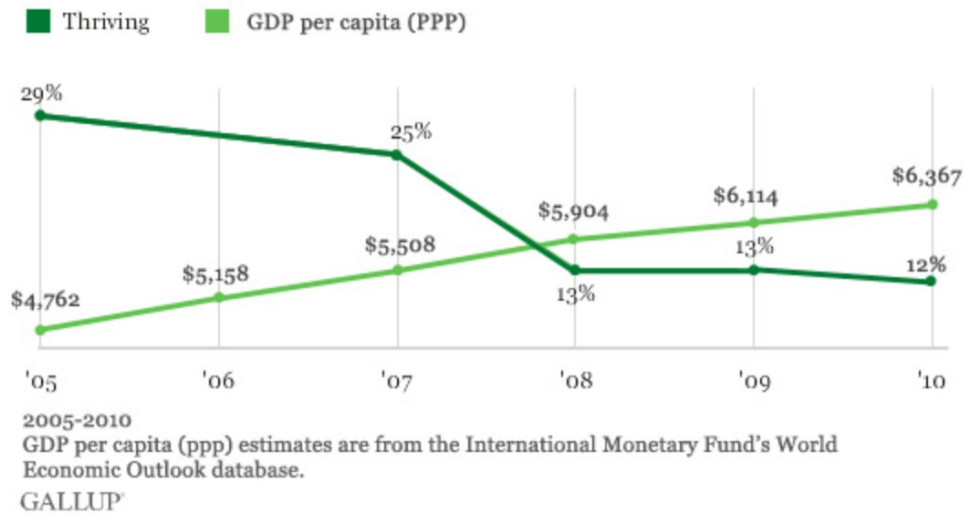
With due respect to James Carville, it's NOT JUST the economy, stupid.

The good news is that we can now go way beyond GDP and measure American's (and the rest of the world's) wellbeing. We're not talking about one-off polls, but systematically developed and validated assessment surveys.

The bad news is that, for the most part, we're not using them. We're suffering from "GDP myopia." Instead of being a central focus for decision making and debate, measures of wellbeing are largely unknown, or, at best, a curiosity.

This needs to change, and fast. Curing GDP myopia is not just a nice idea. It's an imperative. Take this example from modern history. Today, the words *Arab Spring* still trigger images of violence, social unrest, and impoverished living standards – not what one would expect in a region enjoying a vigorous economy with steadily climbing GDP per Capita ratings from 2005-2011. While most observers viewed this robust GDP as a sign that life was good in the region, a handful of others were tracking the (Gallup) Wellbeing Index, which plummeted from a high of 29 percent in Egypt to less than half that by 2010.<sup>i</sup>

*Egypt: Recent Trends in Percentage "Thriving" and GDP per Capita (PPP)*



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Focusing on the healthy GDP growth and failing to attend to the dropping wellbeing indices, left both Egyptian and other world leaders unprepared for the impending sharp decline in quality of life in Egyptian society.

## THE GDP'S FIRST CRITIC

The first person to sharply warn against an exclusive focus on GDP was none other than Simon Kuznets, who won the Nobel Prize for creating the GDP as a statistical model in the 1930's.

Here's what he told the audience in his Nobel acceptance lecture in 1971.

[Kuznet quote here]

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Note the prescience of Kuznet's warning that a growing GDP that might bring "hidden" costs in social dislocation and pollution.

## THE NEW METRICS

Two robust measurement systems – the Gallup-Healthways Wellbeing Index and the Better Life Index created by the Organisation for Economic Co-Operation and Development have been systematically developed and refined over the past 10 years. While they have different methodologies, they both reliably measure things that are important to a person's perception of how they're doing; their physical and economic security, their sense of connectedness to their family and community and their perceptions of fairness and social justice, to name a few. [Footnote: For a full description of the OECD and Gallup-Healthways measures, visit [www.wrgh.org](http://www.wrgh.org)] What's critical is that the measures are both reliable and truly global, with the Global Well-Being Index comprised of data from 145 countries around the globe.

## WELLBEING IN ACTION

Famed management consultant Peter Drucker's favorite aphorism is "what gets measured gets done." Here are three quick examples of how business, civic and political life would change if we fully employed measures of wellbeing.

- **More accountable politics.** People across the political spectrum are justifiably concerned that our post-Citizens United political campaigns

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are now dominated by the interests of those whose great wealth can single-handedly make or break a politician. A Wellness Index would provide an accurate assessment of how well these interests align with the public's priorities.

- **Better health outcomes.** While we tend to think of health in terms of individual behavior. Research shows, however, that how we shape our communities (from walkability to access to nutritious foods) are the critical determinants of both health and wellbeing. Measures of wellbeing can tap these factors and guide community leaders toward policies that create a virtuous cycle of improved health, productivity, resilience and prosperity.
- **Better investment decisions.** While the GDP is at least a reliable, if narrow, measure of economic output in the western democracies, the same is not true in highly centralized, authoritarian countries like China. The unreliability of China's self-reported GDP numbers gives investors little to go on in gauging the health of its underlying economy. A wellbeing index would provide a much-needed data point for investment decisions.

## **A MOVEMENT FOR A MEASURE?**

In their bestselling book, Nudge, Richard Thaler and Cass Sunstein showed how behavioral science challenges long-held assumptions economists have made about people as "rational actors;" that we are in many ways not just irrational, but *predictably* irrational. One of our greatest irrational tendencies is inertia – our strong preference for sticking with what we are already doing– no matter how much we "intellectually" agree that change might be better for us. We take this insight very much to heart, and have therefore begun

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gathering allies, arguments, examples and advocates for the change we call  
"World Wide Wellbeing." **Leaders welcome.**