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Feminist Political Economy

A Global Perspective



Pluralist Economics
Certificate Project



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Certificate Project

The course is based on the book by

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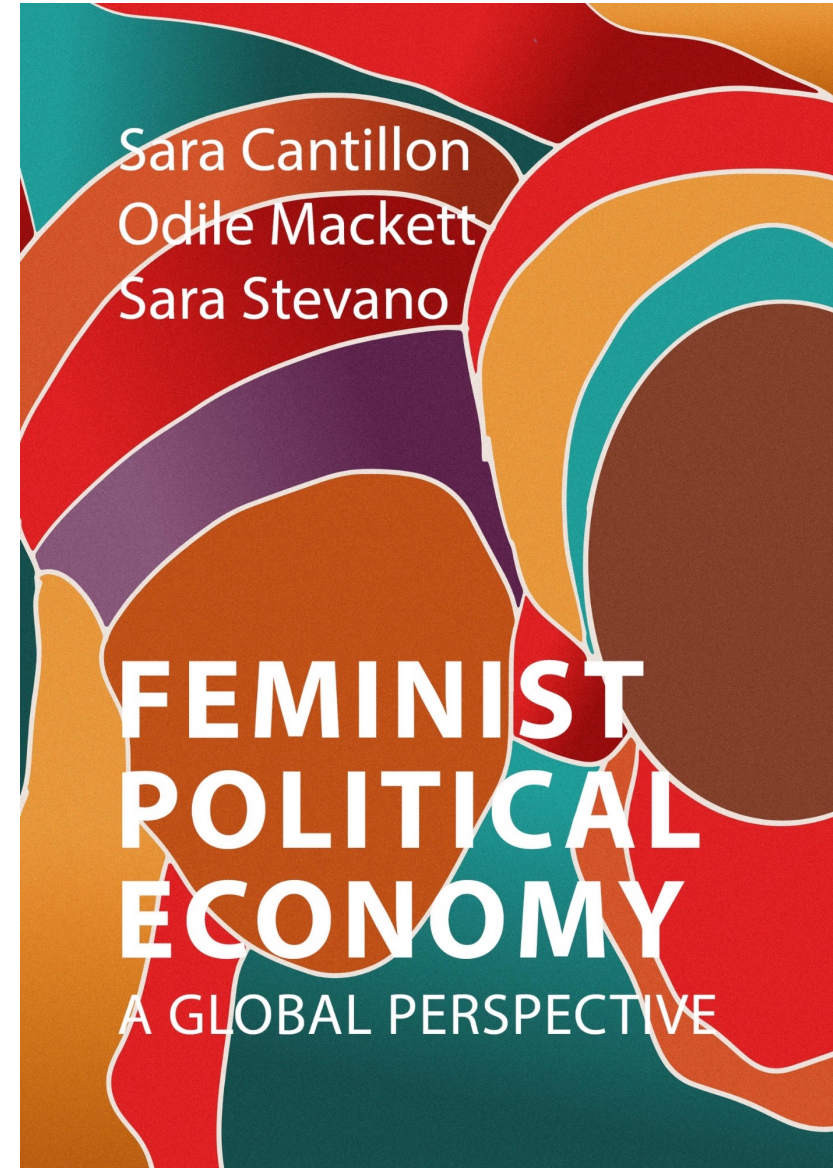
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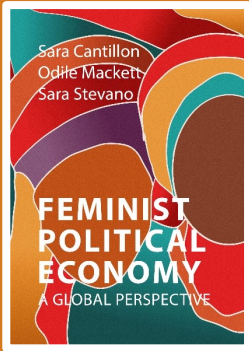
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Chapter 11

GDP and its Alternatives

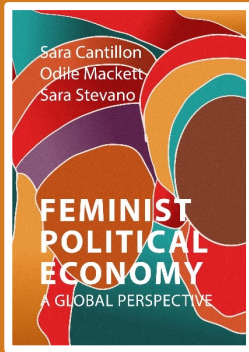




SUSTAINABLE DEVELOPMENT GOALS



Outline



- **Context**
- **Part 1** Concepts and Definitions/Limitations of GDP
- **Part 2** GDP and Gender: If Women Counted
- **Part 3** Alternative Measures of Economic and Social Progress
- **Part 4** Evolving Discourses: Inclusive Growth



Context

“GDP is not inherently bad—it measures what it measures” Constanza et al 2009

But

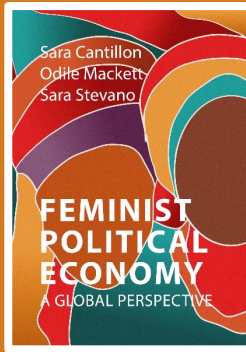
“the welfare of a nation can scarcely be inferred from a measurement of national income as defined by the GDP” Simon Kuznets, 1934

As

“GNP counts air pollution and cigarette advertising, and ambulances to clear our highways of carnage. It counts special locks for our doors and the jails for the people who break them. It counts the destruction of the redwood and the loss of our natural wonder in chaotic sprawl. It counts napalm and nuclear warheads and armored cars for the police to fight the riots in our cities... Yet GNP does not allow for the health of our children, the quality of their education or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages, the intelligence of our public debate or the integrity of our public officials...**it measures everything, in short, except that which makes life worthwhile.** Robert F. Kennedy, University of Kansas, March 1968.

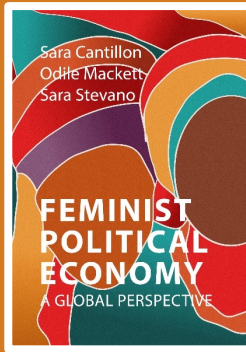
And

a system which “counts oil spills and wars as contributors to economic growth while **child-rearing and housekeeping are deemed valueless**” Marilyn Waring, 1988



Context

- What constitutes ‘progress’, ‘well-being’, or a ‘good life’?
- Despite long standing criticisms GDP remains the dominant benchmark of general prosperity and key indicator of economic development and progress
- Failure to capture non-economic aspects of quality of life including unpaid economic activities, environmental damage and the depletion of natural resources.
- Shortcomings more urgent because of rapidly evolving technologies, rising income inequalities and climate change.
- Developing alternative measures of national-level progress

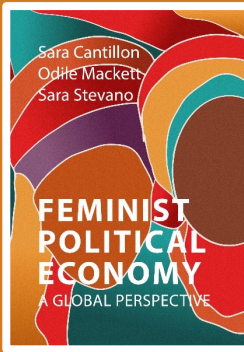




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PART I

Concepts, Definitions and Limitations of GDP

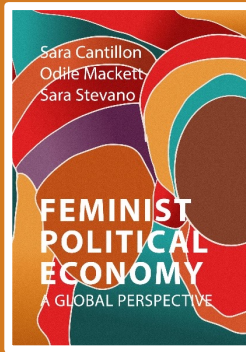


Concepts and Definitions: National Income

- Attempts to calculate national accounts date back to the 18th century
- 1930s - formula devised to measure the goods and services produced by an economy (S. Kuznets; R. Stone)
- National Income: The most common measure of economic size and growth, synonymous with expansion in real national income.
- GDP has become the dominant measure of national income
- National Income per Capita/Purchasing Power Parity (PPP)
- System of National Accounts (SNA): International standards for GDP measurement, formally adopted by countries, ensure consistency and comparability.



GDP, GNP, and NNP



Gross Domestic Product (GDP)

Market value of final goods and services produced within a nation's geographic boundaries. Includes goods and services with market prices and economic activities within the specific area. Can be measured through output, income, and expenditure methods, aiming to produce the same figure.

Gross National Product (GNP)

Market value of all final goods and services produced by a nation in a year. Includes income and investment earnings of all residents, even if earned abroad. Excludes income of citizens without residential status in the country.

Net National Product (NNP)

Value, measured in final selling prices, of final material production net of depreciation of fixed assets. Excludes non-material services but includes them if they contribute to the value of a material product. Derived from the classical notion that service workers are "unproductive."

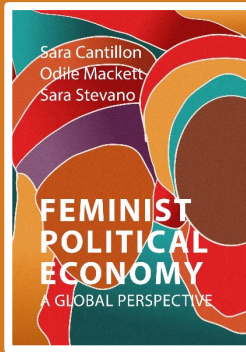
Material Product System (MPS)

Developed by Soviet Union, China, and other centrally planned economies. Used alone or alongside GDP until 1993 when China officially adopted GDP as an economic performance indicator

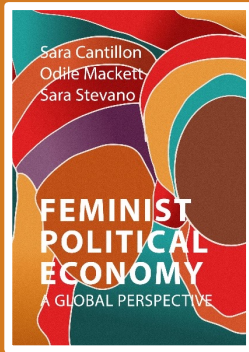


International Comparisons

- The **measurement choice** can lead to substantial differences in international comparisons.
- **Differences between GDP and GNP** can be significant, especially in countries with multinational corporation activities and transfer pricing, or in countries with favorable tax laws
- GDP's **focus on production** rather than income is problematic - doesn't account for the spatial separation of consumption and production in a globalized world.
- **Repatriated profits**
- **Remittances of migrant workers**, a major income source for many low-income countries, are entirely excluded from GDP.



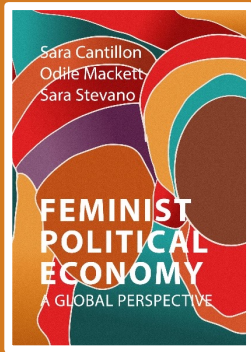
Limitations of GDP



- **Main Advantage** - Standardized measure, available for most countries which allows for cross-country comparability.
- GDP focuses on market-based economic activity, excluding non-market transactions and distributional issues. It ignores the impact of productive activities on stocks, including natural resources.
- GDP fails to capture the multidimensional nature of welfare and the complexities of the relationship between individual and collective well-being.
- GDP measures economic activity, not welfare or well-being, (Simon Kuznets/Robert Kennedy)
- GDP treats the replacement of depreciated capital as similar to the creation of new capital, overlooking costs to human health and the environment.



Informal and Underground Economy



Approximately 2 billion people work in the informal sector (mainly in Global South)

The informal sector contributes significantly to national economies, a substantial portion of GDP in many countries. Women are disproportionately represented in the informal economy

The inclusion of the informal economy in GDP measurements is challenging but crucial.

GDP estimates do not consider the value of goods and services produced in the underground or shadow economy - hidden production to avoid taxation, regulation, or criminal activities.

Estimates show that the size of the shadow economy varies across countries, with significant implications for policy decisions and economic impact.

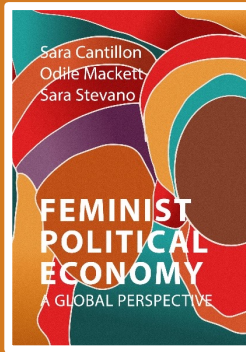


Digital Technologies and Negative Activities

GDP fails to capture the added value and benefits of digital technologies in the economy. GDP measures do not include investments in "intangible" capital, such as software, brand equity, and R&D.

GDP includes activities that have minimal transformative implications for increasing social welfare/wellbeing, such as defensive activities or unproductive and destructive spending.

Counting these activities as economic progress distorts the understanding of true value creation and can lead to misleading assessments of economic growth.

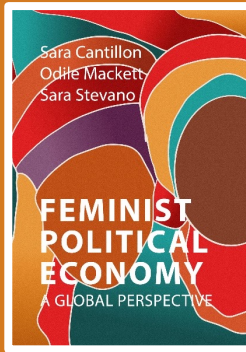


Distribution, Sustainability and Environmental Costs

Median disposable incomes more relevant to determining the economic well-being. Usually much lower than GDP per capita highlighting limitation of relying solely on GDP for assessing economic welfare.

GDP does not account for the costs associated with environmental damage and the depletion of natural resources. High-income countries, including the US and China, contribute significantly to the climate crisis, while lower to middle-income countries are disproportionately affected by its impacts.

Incorporating the relative impacts of climate change and complementing GDP measurements with sustainability considerations is crucial for achieving sustainable and quality growth.

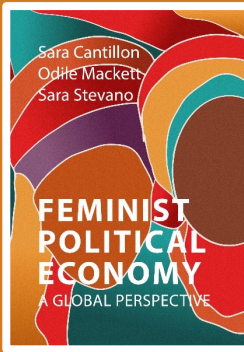




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PART 2

GDP and Gender: If Women Counted



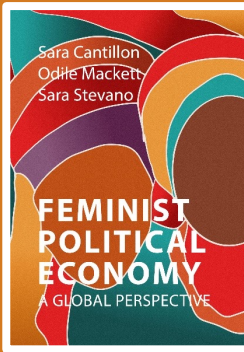
Exclusion of Women's Work from GDP

- Non-market production, including unpaid household services and care work excluded from GDP calculations.
- Norway recognized the economic value of unpaid domestic work before World War II, but it was later excluded from national accounts for international comparability reasons.
- Phyllis Deane (and later Marilyn Waring) criticized the exclusion of unpaid household labor, highlighting its invisibility and undervaluation within national accounting systems.
- The exclusion and undervaluation of women's work in GDP measurement perpetuate gender inequalities and disregard the fundamental contributions of care work.



Challenges in Measuring Women's Work

- The System of National Accounts (1988) included the production of all goods, but unpaid household services remained excluded.
- UN recommended calculating and supplementing unpaid domestic work in national accounts, but valuing it at the undifferentiated labor rate (minimum wage) undermines its true value.
- Estimates suggest that including unpaid care work in GDP could significantly increase its value, but broader dimensions and value of care to the economy are often overlooked. Oxfam calculated that the added value of unpaid care to the economy is at least \$10.8 trillion, equivalent to about 13% of global GDP



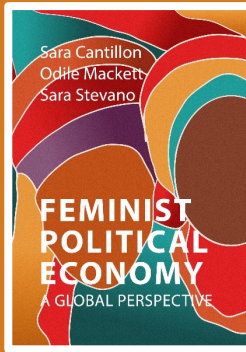


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PART 3

Alternative Measures of Economic and Social Progress

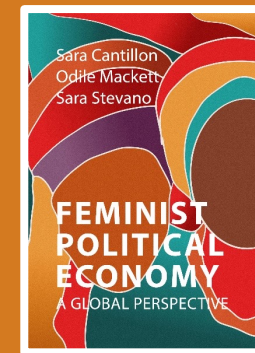
Alternative Approaches



- **Alternative approaches to GDP include:**
 - Indexes that augment GDP
 - Composite indexes that incorporate multiple variables, such as life expectancy, literacy rates, environmental indicators, and inequality measures.
 - Dashboards of indicators that provide a comprehensive view of national well-being.
- These approaches aim to provide a broader measure of life quality, considering both income and non-income factors
- Commission on the Measurement of Economic Performance and Social Progress (2009) (Sarkozy Report)



Augmenting GDP



Measure of Sustainable Economic Welfare (MEW)

- Adjusts GDP to enhance its value as a measure of welfare.
- Considers the value of leisure time, unpaid work, and environmental damage caused by production and consumption.
- Forerunner of later efforts to create more sophisticated measures of welfare and sustainable development.

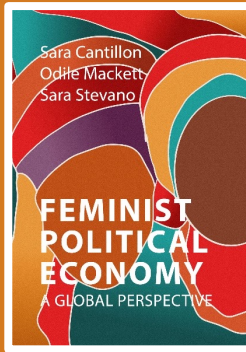
• Genuine Progress Indicator (GPI)

- Builds on the MEW and Index of Sustainable Economic Welfare (ISEW).
- Adjusts GDP by subtracting negative components (e.g., crime cost, pollution) and adding positive components (e.g., volunteering, care work).
- Accounts for income distribution.
- Reflects the limitations of GDP and shows divergence between GDP growth and well-being indicators

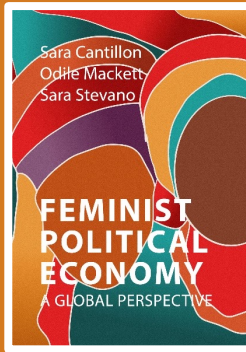


Composite Indices

- **Physical Quality of Life Index (PQLI)**
 - Developed in the 1970s to measure development outcomes.
 - Considers infant mortality rate, life expectancy, and adult literacy.
 - Criticized for overlap between infant mortality and life expectancy
- **Human Development Index (HDI)**
 - Measures development based on income, health (life expectancy), and education (literacy rate and enrollment).
 - Provides a composite index for ranking countries' human development.
 - Reveals a different perspective compared to GDP rankings, highlighting the importance of non-income factors.



Composite Indices



Criticisms of HDI

Correlates with factors more common in developing economies, neglecting inequality, poverty, and gender disparity.

Values of HDI factors are bound between 0 and 1, limiting improvement for certain middle to high-income countries.

Other Composite Indices

- Gender Development Index (GDI) measures inequality in achievement between men and women.
- Gender Inequality Index (GII) quantifies the loss of achievement due to gender inequality.
- Multidimensional Poverty Index (MPI) and Inequality-Adjusted Human Development Index (IHDI) address poverty and inequality.



'Suite of Indicators' Approaches

OECD's How's Life Index

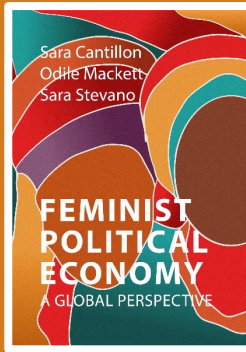
- Covers 11 areas, each based on specific indicators.
- Shows progress and gaps in well-being outcomes, emphasizing equality and sustainability.
- Highlights the need to consider multiple dimensions and resources sustaining well-being over time

Canadian Index of Wellbeing (CIW)

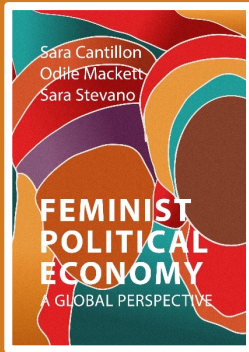
- Developed through participatory process
- Tracks changes in eight quality of life categories using multiple indicators.
- Overlaps with GPI and other alternative measures, considering positive and negative aspects.
- Demonstrates that well-being is not solely dependent on economic growth.

Global Wellbeing Index (Kenya Pilot)

- Offshoot of CIW, currently being piloted in Kenya.
- Aims to provide policymakers with information beyond GDP for evidence-informed decisions.
- Examines well-being amidst economic, social, and environmental changes



Suite of Indicators



- **Advantages and Disadvantages**

- Highlight differences between economic performance and social conditions.
- Show overlap in dimensions relevant for assessing social progress.
- Lack consensus on what represents progress or well-being.
- Limited insight into solutions and policy trade-offs.

- **Challenges and Opportunities**

- Alternative indicators lack association with policy-making tools and forecasting models linked to GDP.
- Well-being budget in New Zealand demonstrates the use of alternative indicators for budget allocation and priorities.





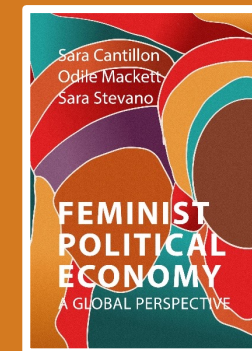
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PART 4

Evolving Discourses: Inclusive Growth

The Evolution of Growth Paradigms

- **Post-War Growth**
 - Rapid growth seen as a means to reduce poverty and inequality.
 - Influenced by the Kuznets curve - initial increase in inequality before decline.
 - Empirical evidence showed limited support for the curve's existence.
- **The Washington Consensus**
 - Emerged in the 1980s, driven by neoliberal policy reforms.
 - Associated with market fundamentalism and focused on economic liberalization.
 - Structural adjustment programs led to social spending cuts and detrimental effects.
- **Pro-Poor Growth**
 - Shifted focus to growth and equality as mutually supportive processes.
 - Promoted progressive distribution policies alongside economic growth.



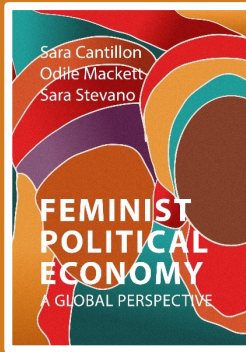
Inclusive Growth

- **Critiques of Pro-Poor Growth**

- Realization that redistribution alone would not solve the poverty-growth nexus.
- Need for broader inclusion in economic policy process.
- Single income dimension unable to capture non-income dimensions of poverty.

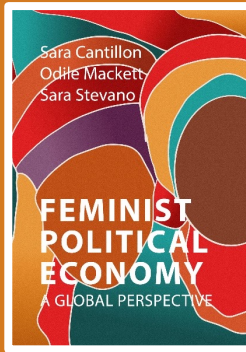
- **Inclusive Growth**

- Emerged in the mid-2000s as a dominant concept in international development.
- Aims to promote growth that is equitable and benefits all segments of society.
- Part of the discourse around the Sustainable Development Goals (SDGs).



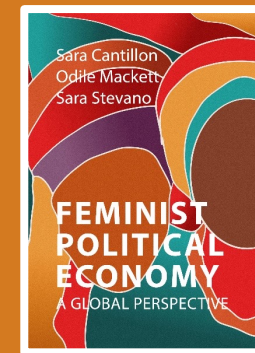
Beyond GDP

- Provides an incomplete picture of the economy's functioning.
- Calls to move beyond GDP as the sole measure of economic progress
- Recognising the need for a more comprehensive measure of progress.
- OXFAM 2023 Radical Pathways Beyond GDP: Why and how we need to pursue feminist and decolonial alternatives urgently

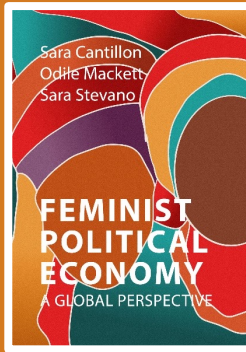


Conclusions

- GDP is the most common measure of economic growth in national accounting systems. It is based on a clear methodology that allows cross-country, cross regional comparability and it is partially correlated with other alternative indicators of development.
- It is limited in its ability to measure the performance of an economy, as well as the progress of a society. It overlooks non-market transactions, income inequality, growth rates' sustainability, and negative externalities that arise from production and consumption processes.
- The exclusion of housework and care work in the modern system of national income accounts has concealed and undervalued the contribution of women and the value they add to the economy and society.
- Alternative wider measures of well-being have been developed that reflect the multidimensional nature of the notion of 'progress'.



Resources



An important resource in the debate on measuring well-being and quality of life is the *Report by the Commission on the Measurement of Economic Performance and Social Progress* prepared by Joseph Stiglitz, Amartya Sen and Jean-Paul Fitoussi. Its remit was to “to identify the limits of GDP as an indicator of economic performance and social progress, including the problems with its measurement; to consider what additional information might be required for the production of more relevant indicators of social progress; to assess the feasibility of alternative measurement tools, and to discuss how to present the statistical information in an appropriate way.” (Commission Report, 2009, p7). While somewhat dated, it is a good starting point for those interested in this topic.

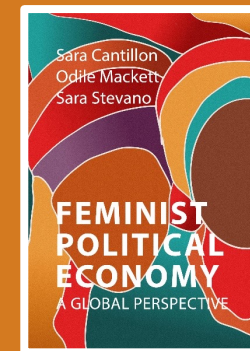
Commission on the Measurement of Economic Performance and Social Progress (2009) (Sarkozy Report)
<http://www.stiglitz-sen-fitoussi.fr/en/index.htm>

New Economics Foundation (2009) National Accounts of Well-being. www.nationalaccountsofwellbeing.org

OECD Global Project at www.oecdworldforum.org



Resources



Videos

- <https://www.oecd.org/wise/how-s-life-23089679.htm>
- <https://www.youtube.com/watch?v=5nMYISaBFas>
- Joe Stiglitz 'The problems of GDP as an economic barometer' <https://www.youtube.com/watch?v=QUaJMntW6GA>
- Waring, M. (2019). GDP measures the wrong things. Here's something better. TED Talks <https://www.youtube.com/watch?v=zlVqhxFEHZw&t=733s>
- Walby, S. (2018). The concept of inclusive economic growth. Surroundings, 68, pp.138-154. Available at: <https://search-proquest-com.gcu.idm.oclc.org/docview/2031701363?accountid=15977>

Alternative Well Being Initiatives

- Australian National Development Index
- Bhutan Gross National Happiness Index
- Gross Domestic Wellbeing (GDWe): an alternative measure of social progress
- Indicators for Measuring Well-being (Iceland)
- New Zealand Wellbeing Budget
- Organisation for Economic Co-operation and Development (OECD) Better Life Index
- OECD Centre on Well-being, Inclusion, Sustainability and Equal Opportunity (WISE)
- Scotland's National Performance Framework
- Towards a Global Index of Wellbeing (Kenya)
- United Kingdom Office for National Statistics Measuring National Well-being
- United Nations Development Programme Human Development Report
- Wellbeing Economy Alliance (WEAll)
- Wellbeing in Germany



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Thanks for watching! 😊



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