

## The Gross National Problem

by Silver Donald Cameron

ISLE MADAME, NS –

One of our great hidden plagues is bogus accounting -- measurements and tallies which are not only misleading but downright damaging.

When an arts group obtains a grant, that's a "cost" to government. Yet the festival made possible by the grant yields tax revenues -- income taxes, entertainment taxes, sales taxes so on -- which often amount to two or three times the amount of the grant. The grant proves to be a rather brilliant investment which returns 200% or 300% within six months. But nobody notices, because the subsidies go out through one agency while the revenues come in through others. Similarly, eliminating the "cost" of the Cape Breton coal mines also eliminates the industry's substantial revenues, leaving a large social cost still to be paid. Ultimately the public purse is emptier, not fuller.

Bogus accounting calculates costs or benefits but not both, and often omits important factors altogether. The worst example is the Gross Domestic Product -- an important element in our gross domestic problems -- which simply tallies up the value of all goods and services exchanged for money. Crime, war, pollution, tobacco smoking, house fires, car accidents -- they all represent "progress" as defined by the GDP.

On the other side of the ledger, a healthy environment, a caring community and stable families literally count for nothing. Trees and fish increase GDP when they are harvested and processed, but the forests and fisheries themselves are assigned no value. Yet when the fisheries collapse and the forests vanish, the social and economic loss is staggering. For the GDP, the "cost" of oil is merely the cost of pumping it out of the ground; the intrinsic value of an irreplaceable resource never enters the calculation. That's like selling off your house board by board and recording the proceeds as income.

We wouldn't run our households this way. How can we run our country this way? Or our world?

Happily, GPI Atlantic of Hackett's Cove, NS, a non-profit research group funded by Statistics Canada and the Nova Scotia Departments of Economic Development and Environment, is constructing an alternative. Unlike the GDP, the Genuine Progress Index measures development in terms of sustainability, and incorporates the difficult questions of value which are ignored by the religion of economic growth.

The GPI pilot project is directed by Dr. Ronald Colman, an economist. Its basic approach is "full-cost accounting," which translates social and environmental benefits and costs into monetary terms, and assigns negative value to negative things. The GPI recognizes four forms of capital: natural, human, social and "produced" capital. "A depletion of any form of capital," says Colman, "imperils the future flow of services, and re-investment in all four forms of capital is necessary for economic health."

Colman lists four clusters of underlying values which together describe sustainable development: security of the person, equity (among living people, and also between generations), environmental quality, and "other human and social values," including freedom, knowledge and "the social caring capacity of a community." The GPI thus deducts the costs of crime and pollution, but includes such assets as the intrinsic value of unprocessed natural resources and the economic value of parenting, housework, and community service. Even the early results are arresting. In a 1998 report, GPI evaluated volunteer work in Nova Scotia at nearly \$1.9 billion a year -- as much as the whole Atlantic Groundfish Strategy. Last month, it reported a decline of 7.2% (a \$60 million loss) between 1987 and 1997, attributable largely to growing time pressures resulting from downsizing and cutbacks.

The GPI acknowledges realities which elude traditional economic measurements. Although a crime wave may boost the sales of security systems, crime makes life worse, not better. California lettuce can be competitively priced in Nova Scotia, Colman notes, only if one ignores "the true costs of transportation, the cost of greenhouse gas and other emissions from refrigerated trucks and warehouse, soil erosion from monoculture growing methods, the health effects of pesticide residues, the loss of local jobs, the loss of potential local inputs into production." Those are real costs, and sooner or later all of us will have to pay them.

The GPI "is not rocket science," says Colman. "It is street-sense economics." As Robert Kennedy once remarked, the GDP "measures everything except that which makes life worthwhile." The GPI, by contrast, measures our advances toward a future we might genuinely wish to inhabit. The agencies which fund it have shown an uncommon level of common sense.

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