

GDP records everything but the things that really matter...

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I have published this video this morning. In it, I argue that GDP – which measures our national income - does, as the late Robert Kennedy said, value everything except the things that really matter in life. So why is Rachel Reeves trying to maximize it when there are so many better things for her to do?

<https://www.youtube.com/watch?v=XVHrohd-6z4>

The audio version of this video is here:

https://www.podbean.com/player-v2/?i=kmzgx-166855d-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=&logo_link=episode_page&btn-skin=c73a3a

The transcript is:

Rachel Reeves is determined to deliver growth for the UK. It's an incredibly conventional goal for a politician, most especially from Labour. I can remember Gordon Brown bragging about his achievement in delivering ten years of successive growth while he was Chancellor, as if this was the most important thing that he had ever achieved.

But let's just ask what growth we're talking about? Both Gordon Brown and Rachel Reeves were referring to the same thing, and that is the Gross Domestic Product of the UK, which is deemed to be our national income.

Now, the measurement of GDP, as it's called, has many problems inherent in it. For example, some of the figures are made up. About 10 per cent of our GDP, or national

income, is made up of the figure that owner-occupiers of houses are deemed to pay themselves as a consequence of living in their own properties. It's a totally fictional number because, of course, owner-occupiers do not pay themselves rent for the right to live in their own properties. It's nonsense to claim that they do. But it is said that unless we include such a fictional number in our GDP, then we can't compare our GDP with that of Germany, where very many more people do rent, and as a consequence, their GDP would otherwise appear to be higher. So, this is all about a silly bragging game.

But nonetheless, that implies that well over £250 billion - nearly £300 billion pounds in fact now - of our GDP, well it's totally made up, fictional, nonsense, rubbish. You put in whatever word you like.

But even if we leave that problem aside, there's another very big issue with GDP. Because what it measures is our income when measured in pounds. The trouble is that the vast majority of things in life that actually create our well-being aren't measured in pounds. The late Robert Kennedy, the brother of President John F. Kennedy, very cleverly summarised this in 1968, only months before he was assassinated during the course of his own campaign to become President of the USA.

He discussed this issue. He talked about the difficulties that focusing on growth created in a speech that he made in March 1968. And having outlined the absurdity of some of the figures inside GDP, he then pointed out - and I'm going to quote from some of what he said - that

gross national product 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 poetry, or the strength of our marriages, the intelligence of our public debate, or the integrity of our public officials. It measures neither our wit, nor our courage, nor our wisdom, or our learning. Neither our compassion, nor our devotion to our country. It measures everything in short, except that which makes life worthwhile. And it can tell us everything about America, except why we are proud to be Americans.

Now, if you substitute the UK for American in there, frankly, everything applies. GDP is just as deficient as it was when Robert Kennedy said those words.

So why is it that Rachel Reeves is concentrating on increasing the value of something which really doesn't measure our wellbeing?

Why is she so desperate to increase everything but those things that we value?

Why is she doing that?

And what is she going to do about increasing the value of the things that we do value?

I wish I knew the answer to that question, because I'll be candid and say I don't. But it seems to me to be one of the most important things to which she should supply explanation.

When are you going to talk about the growth in our well being, Rachel Reeves and not just the growth in the bank balances of some within the UK?