**GDP and its flaws**

This paper is one of a series of short papers produced under the Flourishing Scotland Project for LINK members. It outlines the argument against the use of Gross Domestic Product (GDP) as a measure of societal progress. It is for LINK members for information purposes.

**What does GDP measure**

GDP essentially assesses the busyness of the economy and measures what is produced within a country’s borders.

**Is it a good indicator for wellbeing?**

Because of increases in production efficiencies it is held that, in order to maintain employment levels (and therefore wellbeing), economies must ‘grow’, ie their GDP should increase. However, a number of international studies show that GDP levels do not correlate with reported life satisfaction, life expectancy or educational achievements, especially for richer countries. This would suggest that GDP is not a good indicator for wellbeing.

**Does GDP reflect how sustainably we are living?**

GDP tells us nothing about how quickly countries are depleting their resources, levels of pollution or the status of their natural (or other) assets. In addition, perversely, environmental disasters, such as oil spills, add to GDP due to the activity which they generate..

Given that what we measure drives what we do, it would seem logical that a focus on GDP is not healthy for our society or planet.

**Sustainable development and what we should be aiming for**

The UK Shared Framework for Sustainable Development agrees on five principles to be respected and a hierarchy between them - the goals of ‘*living within environmental limits’* and a ‘*strong, healthy and just society’* by means of a ‘*sustainable economy’*, ‘*good governance’* and ‘*sound science’*.

These are the areas we should be trying to assess, with a focus on the two goals, to gauge how we are doing.

**So, when GDP figures are released or reported, we should ask for more meaningful measures.** These do exist. For example: the UK Office for National Statistics reports on a whole range of aspects of wellbeing and includes European comparisons; the Oxfam Humankind index gives a single figure for overall wellbeing in Scotland, and Scotland Performs reports on a number of aspects of wellbeing. Scotland Performs also reports on greenhouse gas emissions and other specific environmental indicators, and there are other measures such as the Scottish Natural Capital Index or the Ecological Footprint which give a wider measure of environmental status and use.

This paper is short by intention and therefore does not go into any detail. If you would like any further information about its content, please get in touch or look at the Flourishing Scotland Briefing: *NPF/Scotland Performs and related areas*, which is available to members from the LINK website (Work Areas/Economics). Also if you have ideas of other economic-related material that would be useful to you, please get in touch.