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Gross National Product (GNP) is not only a domestic indicator of economic growth. It is also a performance measure used by multinational funding agencies to assess the economic progress of developing countries. As such, GNP is an economic instrument that has been exported from the North to the South.

This article suggests that GNP is an inappropriate measure of true progress even in the Northern countries for which it was developed, and is especially damaging when used as an indicator of developing nation progress. A range of alternative social development indicators are suggested, drawing on an extensive literature including critiques and modifications of GNP as well as complementary social and environmental indicators.

REEXAMINING OLD INDICATORS

Most global crises today are symptomatic of deeper changes in human perception. Such paradigm shifts occur with great regularity throughout human history. Key elements of such shifts are changing beliefs about what is important, what is valuable, what goals should be pursued, and what ways to measure collective progress toward these goals. "The old slogans of economic progress, industrial modernization, and a growing GNP now compete with the emerging slogans of the new paradigm: quality of life, human potential, and the search for ecological balance, social justice and global citizenship on our small, fragile Planet Earth." [147]

Modern economics, which developed along with the Industrial Revolution, has failed to keep pace with changing patterns of industrialization. As such, the field has mostly focused on describing change rather than monitoring and forecasting emerging trends. "As technological change accelerates, economics is now merely backing us into the future looking through the rear-view mirror."[148]

In the past, economists of all ideological stripes, from Marxists to supply-siders, agreed that the goal was to expand production. Disagreement rested upon the means of achieving this goal and the societal landscape that would accompany it. However, as social goals changed, so did the emphasis on productivity as an indicator of progress. The debate in economics today asks to what extent should we seek productivity, rather than merely how we should measure it.

GNP has thus come under attack as a measure of national progress. Simon Kuznets, GNP's American originator, never intended GNP to be used as an overall measure of progress.

However, economists have failed to clarify its limitations or warn the public against its use as an indicator of human improvement. As a result, most countries today use GNP or GDP (Gross Domestic Product) as their principal measure of progress.

Recently, a variety of new indicators have emerged to challenge GNP. The proliferation of these indicators has occurred against the wishes of most economists who have illiquid intellectual investments in GNP accounting, such as textbooks, data series, and computer models. Initial attempts were directed at adjusting GNP to account for the "bads" as well as the "goods" of industrialization by subtracting from gross GNP some of the social costs of urbanization, congestion, crime, etc.. Advances have also been made in the formulation of social indicators that capture societal values ignored by GNP. These efforts have been largely inspired by the belief that GNP, and its "materialistic view of `progress' cannot guide humanity beyond consumerism toward moral growth and sustainable development." [150]

Politicians share the blame for the perpetuation of indicators such as GNP, unemployment, inflation, and trade deficits. These often misunderstood instruments of economic policy are used by politicians to disguise the economic reality of the day, to mystify, and to manipulate voters. As a result, people have come to see economics as politics in disguise. The demand for quality of life indicators is partly born out of the desire to see real results for which politicians can be held accountable.

THE PROBLEM WITH GNP

While international organizations have helped to develop alternative indicators such as the Human Development Index (HDI), mainstream indicators are still commonly used by these agencies to set goals and assess progress in the developing world. The United Nations still includes GNP as an indicator in its conditional loan applications and requires countries applying for loans to set up a system of national accounts. Politicians in less developed countries note the perverse no-win effects of trying to please international donor agencies by boosting GNP growth. Indeed, rising GNP often reflects increasing natural resource exploitation, worsening unemployment rates, and greater inequalities in income distribution.

GNP provides a narrow, and often ethnocentric view of wealth and progress, while ignoring diverse visions of development. For example, an in-house audit of one thousand World Bank projects found that not one had met its project goals. This suggests that donor agencies must do more to decode the cultural characteristics of a country and work harder to identify what values and goals the country seeks to promote before deciding upon international loan and assistance packages.

In 1991, the World Bank conceded that income growth indicators may mask real changes in welfare for large parts of the poor population. The Bank also redefined economic development to include sustainability and environmental protection -- but this highly political redefinition fails to confront the need to alter all the Bank's statistical methods of measuring progress. While the development debate has now shifted towards more realistic and results-oriented indicators of progress, the Bank and other international donors have yet to institutionalize this paradigm shift.

The fundamental problem with GNP is that it equates real wealth - natural resources, skills, specific cultural assets, and human ingenuity - with mere money. Obviously, much is lost in the process and developing countries are subsequently left with a generic shell as their measurement of true wealth. This reliance on money-denominated per capita incomes is also subject to serious distortions in an era of wildly fluctuating currencies. Accordingly, indicators such as HDI, which use the purchasing power parity framework, offer far more useful and reliable measures since they quantify the number of work hours needed to purchase a pound of rice, rather than simply indicating market value.

MOVING TOWARDS IMPROVED SOCIAL INDICATORS

While GNP was never intended as a measure of total welfare, the power of statistics is that numbers attract attention and, when widely disseminated over the mass media, they can distort perceptions of wellbeing. Accordingly, there needs to be a range of social indicators that are disseminated on the same scale and with the same regularity as GNP. These indicators should be country-specific and incorporate specific national goals for development. Furthermore, human imagination and creativity should be considered unlimited resources in new equations.

No single correct method will emerge. Rather, new indicators will allow for the disaggregation and illumination of overlooked detail, both locally and sectorally. Indeed, it would be counterproductive if these new indicators were aggregated, "leading to more fetishizing of one single index." [176] Accordingly, local indicators are a good way to safeguard against this tendency toward overaggregation. These new indicators will spark debate about relevant regional and national issues, replacing the arcane indicators which have lost their meaning due to overaggregation and misuse by spin doctors who obscure economic realities.

Many barriers still exist to the adoption of more realistic measures of human progress. Among them: 1) economic theories are still grounded in static notions of equilibrium which cannot embrace change; 2) many governments do not want to be held accountable to their citizens for their performance; and 3) academic conventions change slowly and statisticians are more comfortable measuring quantities than deciding what ought to be measured.