



# From the GDP to the GPI: Breaking the Cyclicity of Neoliberal Mentality



# From the GDP to the GPI: Breaking the Cyclicity of Neoliberal Mentality

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## I-Introduction:

In the last few years ,more voice have been directed against the dominance of the Gross Domestic Product) GDP (as an indicator of human welfare .The critiques against the GDP and its usage in the mainstream circles of economic analysis all stemmed from an understanding of GDP as originally created for another purpose .After all ,despite this recent anti-GDP activity ,it was Simon Kuzents ,an architect of the modern concept of GDP ,who declared in 1934 that» the welfare of a nation can scarcely be inferred from a measure of national income as defined by the GDP .<sup>1</sup>«...So ,while it might be confusing ,a number of reasons are available in the literature to justify the persistence of heavy dependence on GDP among economists ,politicians and the media .As a monetary-based economic indicator, the GDP is considered to be a useful tool of tracing overall microeconomic activity ,which can be simply understood and easily reported .Hence ,it is seen an effective guide to policies for those in the decision-making circles <sup>2</sup>.An even more significant factor enhancing the GDP's popularity is the governmental support it receives through resources and data giving it) the GDP (the recognition it needs to be an authourtive indicator <sup>3</sup>.The structural investment in the GDP as an indicator shared by countries all over the world led to its standardization through the United Nations system of National Accounts in order to allow for international comparison between these countries <sup>4</sup>.In reality ,however ,governmental support for the GDP is ingrained in and derived from an economically liberal) and even neoliberal (conception ,where any growth in figures of products and services forming the GDP is automatically rendered as progress <sup>5</sup>.Accordingly ,all attention became locked in an illusion of higher GDP growth as leading to progress to the extent that it actually created a sort of" growth fetishism <sup>6</sup>."The problem with this kind of approach is its reductionist essence ,by which human well-being is understood in monetary value only .Yet ,as important as monetary growth can be )within a capitalist system (in improving standards of living ,human well-being's definition must be broadened to include social ,personal and environmental

1 Quoted in » Beyond GDP :Measuring Progress ,True Wealth and Wellbeing -Key Quotes .«*European Commission*> .[http://ec.europa.eu/environment/beyond\\_gdp/key\\_quotes\\_en.html](http://ec.europa.eu/environment/beyond_gdp/key_quotes_en.html).<

2 Bagstad ,Kenneth J .and Shammin ,Md Rumi ” .Can the Genuine Progress Indicator better inform Sustainable Regional Progress ?A case study for Northeast Ohio .“*Ecological Indicators*.331 :(2012) 18 ,

3 Ibid ,P.339 .

4 Van den Bergh ,Jeroen C.J .M ” .The GDP Paradox.“*Journal Of Economic Psychology*.120 :(2009) 30 ,

5 Itay ,Anat” .Conceptions of Progress :How is Progress Perceived ?Mainstream versus Alternative Conceptions of Progress .“*Social Research Indicators* ,Vol ,92 .No.530:(2009) 3.

6 Van den Bergh ,P.12-10 .

factors beyond money<sup>7</sup>. Limiting the entire human progress to the mere amount of spent on consumption makes any aspiration to a more inclusive meaning of progress void, not to mention how it restricts the policies enacted to achieve these material aims and not beyond it. While arguments abound that GDP growth can boost the quality of life, there is enough counter-evidence to reduce what can be seen as causation to mere correlation that fails to establish a causal relation unless one cherry-picks what datasets to include. At a point, perpetuating this kind of economic growth, aiming for higher GDP figures, turns into a costly expense as the social and environmental damages associating it actually reduces the standard of life instead of improving it<sup>8</sup>. Ironically, such an opinion was shared by liberal analysts such as *The Economist*, which labelled the GDP as a "badly flawed as a guide to a nation's economic well-being"<sup>9</sup>. "Hence, on a bigger scale, it can be argued that GDP falls short from reflecting the real developments or regressions taking place in regards to different nations' living standards. In other words, it ignores the difference between growth and development. Indeed, the fact that GDP's dominance persists until the moment sheds the light on how the conventional economic tools of analysis aids the prospects of hiding more information than revealing actual changes happening. For example, a study shows that in the 17 countries producing almost 60% of the global GDP and contain more than half of the entire earth's population in, 2013 satisfaction levels did not essentially improve since, 1975 despite the increasing economic growth reflected in an increasing GDP figures<sup>10</sup>. For sure, African Nations are no exception to this scenario. Some African nations continuously exhibit a growing GDP and economic growth, hand in hand with an increasing impoverishment and soaring poverty rates. Here, it is of great importance to remind the reader of the heightened attention granted to the GDP indicator, viewed as a reflection of the standard of living and economic growth on a global level. This illicit popularization of such an understanding can be seen on the websites of the International Monetary Fund (IMF) and the World Bank (WB)<sup>11</sup>. (Thence, it would not be an exaggeration to consider this kind of actions as dubious, for while these institutions proclaim to be advocating for a higher a standard of living, they actually maintain the

7 Ivkovic, Anita F. "Limitations of the GDP as a measure of progress and Well-Being." *ECONVIEWS*, .261 : (2016)

8 Bagstad and Shammin, P.331 .

9 "Grossly distorted picture." *The Economist* > .(2006) <http://www.economist.com/node/5504103/>

10 Kubiszewski, Ida, Costanza, Robert, Franco, Carol, Lawn, Philip, Talberth, John, Jackson, Tim and Aylmer, Camille. "Beyond GDP: Measuring and achieving global genuine Progress." *Ecological Economics*, .57: (2013) 5, 93

11 See Roser, Max. "Economic Growth." *OurWorldInData* > .(2018) <https://ourworldindata.org/economic-growth>.

outrageous depletion of nations 'economic ,social and environmental resources.

Throughout this process of contesting the reliability of GDP ,alternatives have been suggested ,including the GPI) Genuine Progress indicator ,(also known as the ISEW) Index of Sustainable Economic Welfare <sup>12</sup>.(Nonetheless ,it is the purpose of this paper to conceptually discuss the prospects of introducing the later indicator to developing nations in general and Egypt in particular ,elaborating on the recurring benefits and possible hindrances in doing so .All the research conducted for this paper and the evidences it revealed do suggest that GPI can have a positive capacity for Egypt and other African nations ,even if it is still far from being a flawless indicator .Therefore to meet these goals ,this paper is divided into 5 parts in addition to the introduction .In part ,1 it starts with an extensive analysis of the GDP weakness and what it fails to show as an indicator. In part ,2 we discuss in details the components of the GPI and how it works before theorizing on the significance of introducing GPI to Africa in part .3 In part ,4 we explore the different theoretical and practical weakness /shortcomings of the GPI as an indicator .Finally ,part 5 will be dedicated to our conclusions ,where GPI is seen as an imperfect indicator ,but still as a step in the right direction.

12 Lawn ,Philip A ” .A Theoretical Foundation to Support the Index of Sustainable Economic Welfare) ISEW,( Genuine Progress Indicator) GPI ,(and other related indexes .“*Ecological Economics*.106-105:(2003) 44 ,

## II -Why Moving Beyond GDP is a MUST?

Despite the well researched and documented shortcomings of the GDP as an indicator of human well-being over the past few decades ,policy makers refused to grant this fact full recognition until recently .Those advocating for disregarding the GDP and installing a new indicator which takes into consideration additional aspects affecting human welfare were denied access to the decision making circles .Undoubtedly ,this is intrinsically connected to the ideological dominance of neoliberalism and its exclusive strive for higher economic growth rates above all else as the finest road to progress ,as explained earlier .Only in ,2007 did the anti-GDP dominance movement gain an official recognition when a conference under the tile of” Beyond GDP “was organized in Rome by the European Commission<sup>13</sup>. Furthur ,official adaptation of the GPI as an efficient economic indicator started recently ,with the State of Maryland pioneering the way as the first government entity to sanction GPI usage in .2010 Elsewhere ,studies have been conducted for localities not only in the US ,but across the globe in countries such as Australia, the United Kingdom ,Brazil ,China ,Canada and Italy <sup>14</sup>.Nonetheless ,with such acknowledgment of the need to hold a more inclusive indicator being limited ,as can be seen for instance in the continuous focus on growth and not development, it remains imperative here to revisit and delve into these drawbacks not only as a reminder but also to base the prospects of an GPI.

In theory ,the GDP is a measure of the value of all final products and services produced in a country in a given period of a certain year.Hence it is used to compare the world’s different economies together in terms of strength and position to infer each’s standards of living <sup>15</sup>.Yet ,as an indicator of monterey value ,GDP is far from being an ideal indicator of human well-being ,let alone progress <sup>16</sup>.In fact ,this monterey fixation closely associated with GDP reflects its inadequacy to account for the real level of well-being or progress achieved at a given time .This is so for various reasons .For example ,while every expense in whatever sector or field is perceived as positive ,<sup>17</sup>in reality ,however ,the situation is entirely

13 Bleys ,Brent” .Beyond GDP :Classifying Alternative Measures for Progress .“*Social Indicators Research*, Vol ,109 .No 356 :(2012) 3.and » Beyond GDP :Measuring Progress ,True Wealth and Wellbeing -Background.« *European Commission*> .[http://ec.europa.eu/environment/beyond\\_gdp/background\\_en.html](http://ec.europa.eu/environment/beyond_gdp/background_en.html).<

14 Bagstad and Shammin ” Can the Genuine Progress Indicator better inform Sustainable Regional Progress? A case study for Northeast Ohio331 :(2012) .“

15 Van den Bergh ,Jeroen C.J .M ” .The GDP Paradox.117 :(2009).“

16 Natoli ,Riccardo and Zuhair ,Segu ” .What is a reasonable measure of progress .“? *International Journal of Sociology and Social Policy* ,Vol.204 :(2010) ,30 .

17 Kubiszewski et al» Beyond GDP :Measuring and achieving global genuine Progress57:(2013) .«



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different .The act of” lumping together “all monetary transactions without any further distinguishment of the nature of each ,whether productive or destructive, beneficial or harmful ,is inaccurate as not all of these transactions have a positive effect on human welfare <sup>18</sup>.Therefore ,for example ,when the total amount paid on wars or arms is accounted for in the GDP ,considering such spending as having any positive effect on a nation’s well-being or its level of progress is nothing but misleading .Surely ,defense spending can be inevitable at certain times ,but that does not render it as positive in terms of the living standards of the masses <sup>19</sup>.By the same token ,an increase in the GDP figures should not be understood as necessarily resulting from a rising productive investments .Instead ,it could be created by increasing private and governmental unproductive spending<sup>20</sup>. It is assumed ,generally ,that increasing consumption by individuals ,encouraged

18 Talbarth ,John ” .Contribution to the Beyond GDP Virtual Indicator Expo -Sustainable Development and the Genuine Progress Indicator :An Updated Methodology and Application in Policy settings .“*Centre for Sustainable Economy*.(2012)

19 Ibid ,P.3:

20 Ivkovic ”Limitations of the GDP as a measure of progress and Well-Being.265:(2016) .“

by the economic growth mentality ,does not only lead to a higher GDP but also reflects an increasing standard of living of individuals .Yet ,as Van Den Bergh states ,any increase in material consumption does not necessarily mean full satisfaction of basic needs as clean air or serenity <sup>21</sup>.The latter ,known as” psychic income ,“is the kind of satisfaction received from goods and services coming from elsewhere but the market <sup>22</sup>.For example while the Egyptian GDP soared over the past few decades ,and Egyptians consumptive abilities definitely increased ,no one can display this surety when discussing their wellbeing .In fact ,this increase in GDP was accompanied by waves of urbanization that all but paralyzed the capital ,with rolling blackouts too common of an incident ,access to clean water in jeopardy ,and some of the highest levels of air pollution in the world- consistently above WHO’s recommended safety levels .<sup>23</sup>To top it off this was accompanied the demand for businesses to operate around the clock so as not to lose on any business meant that Cairo’s infamous light and sound pollution vastly worsened, contributing to a culture of unquiet that makes Cairo one of the most stressful cities to inhabit .<sup>24</sup>So ,while GDP would show Egypt in general and Cairo in particular as stories burgeoning with success ,in reality the” value “GDP claims to represent is accrued at the expense of Egyptians ‘wellbeing.

In addition to the simple calculation method of the GDP that leaves no space to distinguish between the type of activities included beyond monetary terms and if they really do improve the quality of life ,GDP measurement excludes a number of factors that do affect people’s lives gravely .To start with ,the GDP does not account for the cost of environmental externalities on people’s social welfare such as pollution or depletion and depreciation of natural resources .Rather ,it accounts only for the costs of cleaning pollution ,when it happens <sup>25</sup>.So ,while the economic growth initiatives exploit the surrounding nature in ways that carry negative effects and harm nations more than they help ,GDP measurement does not account for such changes .A second factor that is dismissed from the

21 Van Den Bergh” .The GDP Paradox.119 :(2009) .“

22 Talbarth ,John and Webb ,Jeremy ” .Genuine Progress Indicator -Monitoring and Evaluation .“*GGBP* .3 :(2014)

23 According to the World Health Organization’s *Ambient) outdoor (Air Pollution Database 2016* Cairo and Delta region Annual mean PM10 were over 167 ,179 ug/m3 respectively ,which is extremely high considering WHO’s recommended safety level is 20 ug/m3 .As for PM2.5 Cair’s Annual mean was 76 ug/m3 while the Delta’s annual mean was 71 ug/m3 both exceedingly surpassing WHO’s 10 ug/m3 safety level .For water pollution ,see Dakkak ,Ahmed ” .Water Crisis in Egypt -Recipe for Disaster .“*EcoMENA* > .(2017) [https://:www.ecomena.org/egypt-water](https://www.ecomena.org/egypt-water) .</And Michael ,Fady ” .Egypt and Water Pollution .“*Save The Water*.(2014) ><http://savethewater.org/10/04/2014/egypt-and-water-pollution> .</

24 Birch ,Hayley” .Where is the world’s most stressful city .“*The Guardian* > .(2015) [https://:www.theguardian.com/cities/2015/oct/08/where-world-most-stressful-city-urban-life-depression-anxiety](https://www.theguardian.com/cities/2015/oct/08/where-world-most-stressful-city-urban-life-depression-anxiety) .<

25 Van Den Bergh” .The GDP Paradox.120 :(2009) .“

GDP calculations is the cost of informal activities such as those carried in the informal market and unpaid household and volunteering labour <sup>26</sup>.Therefore, in a way ,the GDP does not take into consideration transactions that improve people’s lives ,thus ,inaccurately estimating their standards of living <sup>27</sup>.Even when an actual increase in GDP takes place ,it is usually due to a transfer of a group of informal activities to a the formal economy .Still ,because GDP is basically focused on the sum of costs spent to reach to a specific level of welfare, it does not really show the level of welfare or benefits achieved .Furthermore, this same transaction of economic activity legalization can lead to higher costs than benefits .By costs here we mean it can cause the type of jobs or activities carried on informally before the legalization to disappear ,as the firms involved might be obligated to pay extra wages/salaries and taxes .Any similar increase will cause these firms to let go all those hired informally before to maintain its rate of profit <sup>28</sup>.Taking the case of Egypt ,experts estimated the number of informal jobs in recent years to be around 10 million job <sup>29</sup>.Hence ,according to neo-liberal mentality such a huge of number of jobs could be easily as rudantant, considering how it might negatively affect firms ‘profitability .Of course ,this is not to be treated as a call for minimizing or even eliminating taxes and minimum wages .In contrary ,it should serve to remind that a business that only merits its existence and profitability by immiserating its workers ,leeching of the common good while not contributing its fair share should not exist in the first place.

Similarly ,the GDP does not include in its calculations factors that has no market value ,regardless of how positive and enhancing their effects are for human welfare <sup>30</sup>.Accordingly ,GDP limits its focus only to economic factors and leaves other integral social and environmental factors out of the equation .This is not to say that economic factors do not affect human welfare .Nevertheless ,limiting welfare to monetary indicators alone is too reductionist distort the whole analysis because it is one thing to say that economic factors have indispensable impact on social surroundings or that even both enjoy a dialectical relation and another to say ,as with the GDP ,that only economic indicators reflect the wellness of human lives.

26 Ibid and Bagstad and Shammin ” .Can the Genuine Progress Indicator better inform Sustainable Regional Progress ?A case study for Northeast Ohio331 :(2012) .“

27 Ivkovic ,A Frajman” .Limitations of the GDP as a measure of progress and Well-Being.264 :(2016) .“

28 Van Den Bergh” .The GDP Paradox120 :(2009) .“

29 El-Rifae ,Yasmin ” .Egypt’s informal Economy “*Middle East Institute*> .(2014) <http://www.mei.edu/content/egypt's-informal-economy>.<

30 Kubiszewski et al» Beyond GDP :Measuring and achieving global genuine Progress57:(2013) .«

Finally ,the GDP fails to account for the effect of income distribution on human welfare .The average income per capita propagated by the GDP gives no concrete indication of the share that each social group or class receives ,making its estimates dubious at best ,as it is unrealistic to believe that each of these classes or groups gets the same share equally with the others <sup>31</sup>.It follows that the aggregation of individual income is of no value in determining the social welfare of citizens .Here, it is important to note that social inequalities do result from these differences in distribution .For that reason any increase in conspicuous consumption should not be taken for granted as reflecting an improved standard of living ,especially if the increasing spending is only enjoyed by the wealthy and not as a result of a more or less equitable spending pattern <sup>32</sup>.In Egypt the failure of GDP per Capita is particularly staggering as while the GDP per capita stood at an estimated 31 thousand Egyptian pounds per year <sup>33</sup>extrapolating that to a family of four would yield approximately 124 thousand Egyptian pounds a year ,while in reality the income of an average Egyptian family stood at 44.2 thousand Egyptian pounds a year ,<sup>34</sup>little over a third of what the GDP per capita inferred.

All of these limitations mentioned above clearly show that the conception of human welfare as it is currently reflected in the GDP is quite lacking and inefficient. Even more ,it clearly highlights how the ideas empowering this conception are far from being interested in real development through which standards of living can be fundamentally improved .The lack of interest in the negative social and even economic effects of the continuous expansion do prove the narrowness of the GDP boundaries and how it does not exceed the confinement of serving the material interests of a few over those of the many .It also betrays that GDP's efficiency is not a flaw in its operationalization ,but a feature of the design ,intended to feed and maintain the equivocation of monetary growth with human development. This feature signals Capital's hegemony as it prioritizes the movements of capital and subsumes the people to capital- that is if capital is growing and its conditions improving ,then human growth and development are close to follow -while simultaneously disempowering people from formulating counter-arguments to capital as they appear counterproductive due to the aforementioned subsumption .It is also this feature that lies in the bedrock of liberal neoliberal conceptions ,that enabled neoliberal fictions such as trickle-down economics to

31 Ivkovic ,A Frajman” .Limitations of the GDP as a measure of progress and Well-Being.266 :(2016) .“

32 ”Measuring Genuine Progress :Towards Global Consensus on a Headline Indicator for the New Economy- Draft Program Prospectus .“*World Resources Institute and Centre for Sustainable Economy*.10 :(?)

33 Based on the World Bank's GDP per Capita and official exchange rates for the year.

34 According to the Central Agency for Public Mobilization and Statistics” .Income ,Expenses ,and Poverty“2015 ]Arabic Only[

appear as if they worked .Likewise ,progress is ill-defined through monetary gains only and not how people's lives are transformed to generate more satisfaction .In this light ,it is much doubtful if the GDP as it stands will be ever useful tool for the task it proclaims it serves .In fact ,based on the above ,it seems legit to state that replacing the GDP with a more inclusive indicator of human welfare is not just a must ,but actually inevitable.

### III-What is the GPI?

Having discussed the drawbacks of the GDP and its failures in capturing human welfare or standards of livings accurately ,the question arises of what alternatives we might have .The Genuine Progress Indicator is one such attempt at an alternative way to take a look at the national economy for a year .What is the GPI, and what makes it potentially more comprehensive as an indicator ,compared to the GDP?

Developed in the mid1990 s by Clifford Cobb ,Ted Halstead and Jonathan Rowe,<sup>35</sup> the GPI was designed as an indicator to serve the aim of a more comprehensive and neutral tool of measuring human welfare and progress .The GPI aims to estimate the economic welfare generated by economic activity over a given period<sup>36</sup>.Hence ,to determine if the benefits of such an economic activity overcome its cost) whether that cost is economical ,environmental or social (or not .The latter notion is derived from what is known as the ' threshold hypothesis , 'which maintains that economic expansion beyond a certain limit generates more costs than benefits ,ecologically <sup>37</sup>.By that ,it meant that as the ' growth 'mentality dominates ,macroeconomic expansion will never lead to genuine sustainable development nor to improving human wellbeing <sup>38</sup>.So ,for example ,building more factories can boast a country's GDP and growth.Yet ,the emissions ,and possibly water pollution ,these factories produce will definitely have a negative effect on the health of any nearby communities .Thus ,the GPI developers were trying to achieve a definition of progress that escapes" the market-centered conceptual framework "inherent within indicators ,such as the GDP <sup>39</sup>.Furthur ,it came to build up on ideas of the defectiveness of dependence on monetary values ,a disbelief in economic economic growth as the optimum goal and the need to distinguish between quantitative and qualitative growths ,both influencing human welfare distinctively <sup>40</sup>.Interestingly ,and despite of its initial position as national-level macroeconomics indicator ,the unequal distribution of economic activities across the different regions led to the development of a local GPI-scale

35 Anielski ,Mark ” .The Genuine Progress Indicator -A Principled Approach to Economics .“*Encompass Magazine*.1:(1999)

36 Kubiszewski et al» Beyond GDP :Measuring and achieving global genuine Progress.57:(2013) .«

37 Lawn ” .A Theoretical Foundation to Support the Index of Sustainable Economic Welfare) ISEW ,(Genuine Progress Indicator) GPI ,(and other related indexes.105:(2003).“

38 Ibid.106-105 ,

39 Natoli and Zuhair ” .What is a reasonable measure of progress.202:(2010) .“?

40 Ibid,P 205-203 :and Ivkovic ”Limitations of the GDP as a measure of progress and Well-Being:(2016) .“ .260



photo Sada El Balad newspaper.

to make it easier to compare levels of human welfare and progress across these countries mentioned earlier and generate a better understanding of the existing socioeconomic inequalities<sup>41</sup>.

The GPI is an adjusted form of the the normal GDP that accounts not only for benefits of economic activity taking place but also for the cost of economic, social and environmental indicators that escape the market value <sup>42</sup>.The wide variety of these' component indicators 'include the depletion of natural capital ,environmental degradation, crime ,divorce ,household work) women's unpaid labor ,(leisure loss ,unemployment/ underemployment ,income inequality ,social relations ,accidents ,and other factors omitted during the calculation process of the GDP <sup>43</sup>.The full list of component indicators used in the GPI is as follow in Table:1

41 Bagstad and Shammin ” Can the Genuine Progress Indicator better inform Sustainable Regional Progress? A case study for Northeast Ohio.331 :(2012) .“

42 Lawn ” .A Theoretical Foundation to Support the Index of Sustainable Economic Welfare) ISEW ,(Genuine Progress Indicator) GPI ,(and other related indexes.108:(2003).“

43 Ibid ,P ,334-332.Ivkovic ”Limitations of the GDP as a measure of progress and Well-Being,26 :(2016) .“ Bleys” .Beyond GDP :Classifying Alternative Measures for Progress 375 :(2012) .“and Natoli and Zuhair” . What is a reasonable measure of progress.6-205:(2010) .“?

Table1<sup>44</sup>

<b>Economic indicators</b>	<b>Social indicators</b>	<b>Environmental indicators</b>
Personal consumption per capita	Cost of crime	Cost of water pollution
Income distribution	Cost of family breakdown	Cost of air pollution
Consumption adjusted for income inequality	Loss of leisure time	Cost of noise pollution
Value of household labor	Cost of underemployment	Loss of wetlands
Value of volunteer work	Cost of consumer durables	Loss of farmland
Services of household capital	Cost of commuting	Depletion of nonrenewable resources
Services of highways and streets	Cost of household pollution abatement	Cost of greenhouse gas emissions
Net capital investment	Cost of vehicle crashes	Cost of ozone depletion
Net foreign lending and borrowing		Loss of forest cover

Therefore ,the GPI starts with the personal consumption expenditure ,after being adjusted for income inequality ,as its initial point before adding and subtracting the economic values of other economic ,social and environmental benefits and costs <sup>45</sup>.It is of great importance here to note ,that in choosing the personal consumption as the starting point ,the GPI designers were not aiming to imply that consumption in itself should be treated as positive .Instead ,the GPI treats consumption as a sort of necessary evil ,without which individuals will be not able to yield the services they desire .Hence ,if it became possible to enjoy the same level of services with less consumption ,it is more advantageous ,as less production will be needed to” maintain the stock of human capital intact,“ meaning as a result less pollution and depletion of natural resources<sup>46</sup>.

44 Bagstad and Shammin ” Can the Genuine Progress Indicator better inform Sustainable Regional Progress? A case study for Northeast Ohio.332 :(2012) .“

45 Ibid.331 ,

46 Lawn ” .A Theoretical Foundation to Support the Index of Sustainable Economic Welfare) ISEW ,(Genuine



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The methods used to obtain to values of these non-market factors are ,according to Bagstad and Shammin ,widely available in the environmental and ecological economics literature .The GPI can be expressed in the following equation:

$$GPI = C_{adj} + G + W - D - S - E - N^{47}$$

After accounting for the income inequality ,the personal consumption)  $C_{adj}$  ( is added to the growth in capital and net changes in the international position )G (and non-monetary contributions to human welfare ,including the valuable household labour ,which ,if carried out for wages ,would have been counted into the GDP)  $W$  <sup>48</sup>(before subtracting the defense expenditure)  $D$  ,(social capital

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Progress Indicator) GPI ,(and other related indexes.112:(2003).“

47 Bagstad and Shammin ” Can the Genuine Progress Indicator better inform Sustainable Regional Progress? A case study for Northeast Ohio.331 :(2012) .“

48 It is noteworthy that 12% of women’s labor outside of the household was also unpaid ,especially in the

depletion-Crime ,divorce...,etc) -S ,(environmental degradation cost) E (and natural capital depletion) N .(After all ,real wealth is what actually remains after consumption <sup>49</sup>.Thus ,one can simply say ,that GPI is an equation that aims for as an accurate as possible estimation for the actual human welfare benefits that citizens of a nation enjoy after deducting all expenditure ,economical ,social and environmental.

In comparison ,the GDP) Growth Domestic Product (is calculated according to the following formula:

$$GDP = C + I + G + X^{50}$$

So ,the GDP is composed of the sum of a nation currency's value of C) consumption, (added to I) gross investment ,(G) government purchase of goods and services and X) net exports produced within a nation's borders <sup>51</sup>.(Obviously ,the GDP as an indicator focuses solely on the economic factors and neglects all the social and environmental aspects related to consumption ,investments or even the imports.

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agricultural sector ,were 55% of their work is unpaid and mostly working for small family farms or family members .See p 37 .for example ,on the Demographic and Health Survey :Egypt .2014 Ministry of Health and Population and the DHS Program ,USA .available at :<https://dhsprogram.com/pubs/pdf/fr302/fr302.pdf>

49 Lawn ,P ” .The Failure of the ISEW and GPI to fully account for changes in human-health capital-A methodological shortcoming not theoretical weakness .“*Ecological Economics*.169 :(2013) 88 ,

50 Samuelson ,Paul A and Nordhaus ,William D .*Economics*) New York :McGraw-Hill Irwin ,(2010 ,P-386 .

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51 Ibid.

## IV-Applying the GPI to Egypt:

Interestingly ,the GPI can have an exceptional effect if introduced to Africa ,as it carries a great significance for African nations that lies beyond those of measuring human welfare .In particular ,the GPI can act as an evidence-based tool to uncover the real progress level countries enjoy ,or the one they are being deprived of .More critically ,the kind of information needed to produce the GPI and the outcomes revealed by it have the potential of aiding the prospects of a true development all over the continent ,by unveiling the factors hindering social progress .To clarify this dual value of the GPI ,we attempted an estimation of it in the context of Egypt.

The first barrier we faced in estimating a GPI for Egypt was the lack of data ,and the absence of reliable estimations for a number of the essential components of the GPI equation ,including estimates on social depletion and natural degradation. Despite the hurdles ,we carried on with our attempt to produce an estimate of the GPI ,to illustrate the gaps it covers ,as well as the pressing need for the collection and availability of the types of data it includes in its calculation .Accordingly ,we based our calculations on a number of assumptions that will explained in the following sections.

Unpaid labor Estimate :For the year ,2015 CAPMAS estimated the unpaid household labor to represent 32.8% of the GDP <sup>52</sup>.So ,using the same percentage ,keeping in mind that it is the latest estimation produced for this component ,and that we failed to locate any actual numbers or estimations for other possible types of unpaid work ,we applied the same percentage to this current year,2018/2017 , as an estimation for the entire item of unpaid labor .Hence ,by multiplying this same percentage of 2018/2017 \* 32.8 GDP 4,106,980) million ,<sup>53</sup>(we get the figure of 1,347,091,080,000 EGP .Of course ,in order to produce this estimate on unpaid labor ,we not only narrowed it to household labor ,but also calculated the number based on the same GDP data that we would like to take issue with ,which shows the pressing need for the availability of data beyond those provided as part of the GDP estimate ,which remain narrow.

Environmental Degradation :Similar assumptions had to made to produce an estimation of the environmental degradation component .It was estimated in 2016 that the environmental cost of the coal consumption alone equalled

52 ” Unpaid housework in Egypt estimated at EGP 654 billion :CAPMAS .“*Ahram Online* .(2016) [http://:english.ahram.org.eg/NewsContent/223468/12/3/Business/Economy/Unpaid-housework-in-Egypt-estimated-at-EGP--bln-CA.aspx](http://english.ahram.org.eg/NewsContent/223468/12/3/Business/Economy/Unpaid-housework-in-Egypt-estimated-at-EGP--bln-CA.aspx).<

53 ” Financial Statement .“*The Ministry of Finance*.

about <sup>54</sup>.\$500,000,000 It is important to keep in mind that this estimation pertains to the degradation resulting from coal use only .So ,once again ,due to the lack of any reliable sources or estimations for other possible types of causes of environmental degradation in Egypt ,including the growing crisis of water contamination and the ongoing problems cause by air pollution ,we used the contamination estimated by the use of coal for energy generation alone as a proxy for environmental degradation .We used the 2016 figures) the only reliable figures available on the cost of coal burning (after accounting for the change in the currency rate following the currency liquidation decision occurring in late .2017So ,by multiplying that amount of \$500,000,000 by the new exchange rate of 17.6=(\$1) 17.6 EGP ,(we got the figure of 8,800,000,000 EGP ,as an estimation for the cost of the total environmental degradation in Egypt in the current year.

Defense Expenditure :The defense expenditure figure for the year 2018/2017 as obtained from the financial statement reached 51,858,000,000 EGP <sup>55</sup>.As with the other factors in the equation ,the true size of military expenditure in Egypt is dubious at best as many of the Army’s economic enterprises escape any scrutiny with their incomes and expenditure as they enjoy extra-budgetary status and are kept’ off-the-books. ‘This is why ,for this illustrative calculation ,we use the official data only ,which we know to be far less than the actual expenditures.

Personal Consumption :For personal consumption ,we used the World Bank estimate for household consumption index of 82.9% of GDP in ,2014 multiplied by a GDP of 4,106.99 Billion EGP expected in the 2018/2017 budget yields 3,404,694,710,000EGP.

Growth in capital :Finally the growth in capital estimate is extracted from the World Development Indicators) WDI (maintained by the World Bank databank ,where the growth in gross capital formation amounted to 2,534,853,606USD ,converted at the aforementioned rate 44,613,423,465 EGP.

Hence ,the equation of the GPI using the aforementioned proxies can be calculated as follow :Personal consumption + (3,404,694,710,000) Growth in Capital + (44,613,423,465) Unpaid work - (1,347,091,080,000) Defense expenditure - (51,858,000,000) Social capital depletion) N/A - (Environmental

54 Bottoms ,Isabel and Sharaf ,Amena ”Al-Rahan’ ala al fahm :Thaman dekhhol al-fahm al-hagry l-Misr“ )Betting on Coal :The cost of introducing coal to Egypt .(*Egyptian Center For Economic and Social Rights* .(2016)

55 ” Financial Statement .“*The Ministry of Finance* .

degradation - (8,800,000,000) natural depletion) N/A 4,735,741,213,465 = (EGP.

The figure we obtained reflects a very different view of the Egyptian economy as it displays a variance of over 600 billion EGP 4.735) trillion EGP as per GPI compared to 4.106 trillion EGP as per GDP (that could be left unaccounted for under the GDP measurement system .However ,no doubt should remain in the reader's mind that this is a merely illustrative attempt ,and in no way a true indicator of the size of the Egyptian economy .Not only were these numbers obtained through proxies that often depended on existent GDP data and at some times anachronistic data, the final calculations are still missing two negative big ticket items ,which are the Social Capital Depletion ,and the Natural Depletion.

## V - Why the GPI holds potential for Africa:

Perhaps as a good starting point here ,it will be useful to note that during the research conducted for this work ,not a single research paper was found which tackles the relationship of the GPI and Africa .In fact ,most of the researches were conducted in developed Western countries and other rising economies ,such as Brazil and India .This lack of interest in the prospects of introducing the GPI to Africa seems astonishing ,considering the levels of impoverishment ,neo-liberalization waves and their consequences that the continent suffers from .Nonetheless, as this paper proposes ,GPI offers us the chance to understand Africa’s actual progress through the lens of variegated capitalism and its consequences of uneven development hindering the realization of a higher living standard and human welfare ,not to mention its deterred progress.

In theory” ,variegated capitalism “is an understanding of worldwide inequality as a result of the purposeful adaptation of different capitalist models ,leading to uneven development)s .(Particularly ,valorising capital in a single and exclusive economic space is impossible because of the contradictions it carries, and its adverse consequences on labor .Capitalism carries its contradictions within it ,and as much as it creates growth ,it creates poverty and inequality. Thus ,for capitalism to thrive in one context ,it need to shift its inequalities and impoverishment to other ones .As a result ,capitalism’s logic requires universality and continuous expansion .In this ,it fails in resolving these contradictions and only manages to displace them into other different contexts away from their original places to create a temporary stability .This necessary expansion through domination reproduces capitalism’s contradictions elsewhere ,causing uneven rates of growth and development <sup>56</sup>.In moving from one place to another ,capital creates a group of hybrid structures that are not only characterized by uneven levels of development but also growing cross-border) transnational (economic interaction leading to the embeddedness of these economies in a market society <sup>57</sup>.International economic regimes such as the Washington Consensus )WC (encouraging market liberalization ,deregulation ,prohibiting restrictions on capital mobility and mandatory technology transfer ,thus leading to the necessity of specialization in low value products ‘markets and no shifts onto the

56 Jessop ,B’ .Capitalist diversity and Variety :Variagation ,the World Market ,compossibility and ecological dominance ,‘*Capital and Class* ,Vol 54-48 :(2014) ,1-38 .and Smith ,N .*Uneven Development :Nature ,Capital and the production of space* .London and Athens :The University of Georgia Press.2008,

57 Ebenau ,M’ .Varieties of Capitalism or Dependency ?A Critique of the VoC Approach for Latin America.‘*Competition & Change*, Vol.213 :(2012) ,16:3

high road of technology and heavy industrialization<sup>58</sup>. So, as Neil Smith stated, the development of productive forces makes specialization dictated by the new rules of the capitalist society tend towards differentiation in favour of serving the core centres of industry and not imposed by natural considerations as it is proclaimed<sup>59</sup>. The Egyptian economy and its trade components are, therefore, not necessarily serving the interests of the economy and the needs of the population, but fulfilling their destiny in a global chain of differentiation. In a word, international trade is not a "positive sum game" and there are always losers<sup>60</sup>. These losses, however, are never captured by the GDP. Instead, the GDP treats any export production as a win, a net addition to the economic wealth.

Further, the international division of labour generates the structural coupling of formal and informal economies outside the capitalist core countries. The latter is considered as vital for the international competitive advantage, as it allows firms to appropriate more value from the labourers in exchange of less wages, longer working hours, less protective terms of employment) if at all (and working conditions). In economic terms, the coupling presents such firms with the opportunity to produce at a lower cost. This is so regardless of its disastrous effects for the labour, the environment and society at large, or to the systematic production of inequalities on a global level<sup>61</sup>. In fact, as one study shows, these agreements aspire to dismantle any labour opposition, to lower the wages, flexibilize the employment relations and aide the "proliferation of sweatshops." In this way, even when international financial organizations refer to the alleged success stories of the Asian development, they ignore the extreme levels of labour repression and exploitation accompanying these experiments<sup>62</sup>.

That being said, why should one treat the GPI as carrying a substantial value for measuring and evaluating African nations 'progress or their standards of living? One answer lies in the information required for and revealed by the GPI. Analyzing

58 Ibid, P 15-212: and Peck, J. and Theodore, N'. Variegated Capitalism. *Progress in Human Geography*, .741 : (2007) , 31:6

59 Smith " *Uneven Development :Development :Nature ,Capital and the production of space*.150 :2008 ;“

60 Ebenau ,M' .Comparative Capitalisms and Latin American Neo-developmentalism :A Critical Political Economy View .*Capital & Class*.114 : (2014) ,38:1 ,

61 Bruff ,I.,Ebenau , M .and May ,C' .Fault and Fracture ?The Impact of New Directions in Comparative Capitalisms Research on the Wider Field ;in M .Ebenau ,I .Bruff and C .May) eds (*New Directions in Comparative Capitalisms Research :Critical and Global Perspectives* .London :Palgrave Macmillan:(2015) , 39and Ebenau ,M' .Directions and Debates in the Globalization of Comparative Capitalisms Research , 'in M. Ebenau ,I .Bruff and C .May) eds (*New Directions in Comparative Capitalisms Research :Critical and Global Perspectives* .London :Palgrave Macmillan.47 : (2015) ,

62 Selwyn ,B' .Elite Development Theory :A Labour-centred Critique .*Third World Quarterly*:(2016) ,37:5 , .788-783

such information can at least aid the prospects of identifying the real factors/ interests impending the initiation of real and all-inclusive development .The GPI indicator can be used to explicitly expose the institutional and spatio-temporal fixies ,the group of laws and arrangements installed to maintain the process of capital accumulation while trying to temporarily control capitalist contradictions, implemented by each state helping the process of preserving the ongoing expansion but at the expense of other social ,economic and environmental aspects causing transnational inequality and deteriorating the standards of living<sup>63</sup>.

So ,for example ,by factoring in the net capital investments ,it will be easier to recognize the kind of productive sectors each country is allowed to specialize in ,either the low road of agricultural and primary materiales or the high of technology and heavy industrialization .Hence ,to understand the limits of each country to improve its standards of living .Another example would be related to labour force and their working conditions .Because capital-labour relation is not always fixed even inside the single economy ,the GPI allows the chance of exposing all matters related to social reproduction process ,race and gender, especially that these are not perceived in the same manner everywhere <sup>64</sup>.The global care chains are a case in point .As citizens move from poorer countries in the global South and get employed in care chains in the Western world ,they leave their own families in need of persons who can provide these same services without being able to afford it .Unlike in the West ,where people can afford to hire such individuals to take care after their beloved ,the individuals from the poorer countries who immigrate to escape poverty leave behind their own families in dire need for such services .So ,all in all ,they generate inequality and hardships, even when they bring in more income <sup>65</sup>.The GPI makes it easier to track and highlight these inequalities ,by focusing on the unfairness this kind of work can generate ,as divorce or family break-ups ,in terms of human welfare .Finally, there is the environment .As capital moves from one place to another ,it always seeks places to invest with the highests rates of return ,not only at the expense of labour where they encourage informality or severe working conditions as already mentioned ,but also where environmental damage has no monetary effect on its profits .That is why they might relocate to places where they can build the type of industries condemned as environmentally harmful in the West .In recent decades,

63 Jessop ,B' .Comparative Capitalisms and/or Variegated Capitalism ,in M .Ebenau ,I .Bruff and C .May )eds (*New Directions in Comparative Capitalisms Research :Critical and Global Perspectives* .London: Palgrave Macmillan.2015:68 ,

64 Gough ,J' .The Difference between Local and National Capitalism ,and why Local Capitalisms Differ from One Another :A Marxist Approach .*Capital & Class*.200-197 :(2014),38:1 ,

65 Fraser ,Nancy' (2016) .Contradiction of Capital and Care .*New Left Review*.99 ,100 ,

for instance ,foreign capital started to invest in cement factories in Egypt due to its profitability and the minimum environmental requirements imposed by the Egyptian government .As a matter of fact ,Egypt’s production of cement increased by a staggering 10% in the year 2015 to tie with Japan and Saudia Arabia as the 11th largest producer globally .<sup>66</sup>However ,these factories ‘dependence on coal as a source of energy causes a number of serious health issue for the citizens living nearby generated by the emissions of the factories .Indeed ,the environmental repercussions according to a recent study include high respiratory inorganics, aquatic acidification , not to mention extending the effects of global warming<sup>67</sup>. Therefore ,the attention GPI shows towards environmental ,social and economic aspects neglected by other indicators as the GDP does help in highlighting the negative aspects of the ongoing capitalist expansion in its neoliberal form.

66 ” U.S .Geological Survey -2016 -Mineral commodity summaries :“U.S .Geological Survey45-44 :(2016) ,

67 Ali ,A.A.M ,.Negm ,A.M ,.Bady ,M.F .et al” .Environmental Impact assessment of the Egyptian Cement

Industry based on a life-cycle assessment approach :a comparative study between Egyptian and Swiss plants.“  
*Clean Technology and Environmental Policy* , Vol.1053 :(2016) ,4 ,18 .



photo by Adel A. Eissa

## V-Drawbacks and limitations of GPI:

As helpful as the GPI indicator can be ,it still is not a perfect measure of human welfare and open to a wide variety of criticisms .Because a number of methods and items can be used to measure the GPI equation ,the final figures can vary to a large extent ,causing inconsistency .Moreover ,because it is up to official state agencies to collect the data needed to fill the GPI equation ,a process that varies procedurally and politically from one country to another ,<sup>68</sup>it runs the risk of ideological bias to arrive at conclusions supporting their hypothesis <sup>69</sup> .One of

68 In Egypt ,for example ,the Central Agency for Public Mobilization and Statistics is alone responsible and able to collect all types of data ,including those that can be used for the calculation of the GPI .However, since no other independent organizations can verify the data ,or produce similar data ,the government needs to take on the responsibility of producing these categories of data ,making them transparent and available to the public ,and allowing other organizations and entities to be included in their methodologies and collection phases.

69 Bagstad and Shammin” ,Can the Genuine Progress Indicator better inform Sustainable Regional Progress? A case study for Northeast Ohio 338 :(2012) .“and see also :Lawn ” .A Theoretical Foundation to Support the

the much debated items that falls into this category is political freedom and if it affects human welfare or not<sup>70</sup>.Of course, reaching a consensus on the calculations methods and the items to be employed is not an easy task ,especially that each country has its own cultural specificity that might not be shared with others. Nonetheless ,the flexibility of the GPI as it stands while it allows it to create a variegated view of human wellness leaves it open to pitfalls.

Another famous criticism directed against the GPI is that it does not measure sustainability .In responding to the latter claim ,scholars such as Philip Lawn(2013) acknowledged this fact by referring to the GPI's original purpose of measuring welfare and the impossibility of having a single indicator for measuring both<sup>71</sup>. Similarly ,the indicator does not always distinguish between personal spending on items such as junk food or tobacco ,and other items that do not contribute positively to human welfare ,and other items that actually do <sup>72</sup>.Related here is the implicit assumption within the GPI that natural capital loss) or loss of natural resources (can be substituted by human-made capital <sup>73</sup>.The massive exploitation of natural capital all over Africa by foreign capital throws this assumption into doubt ,as not all types of natural capital can be substituted .This situation is even more exacerbated by the lack of introduced human-made capital) Financial, technological ,and industrial facilities ,etc (...into Africa as witnessed by prevailing poverty and difficulty of access to basic needs as clean water ,education and health care.

Finally ,a more serious problem with adopting the GPI in Africa is a methodological one ,particularly pertaining to the availability of information ,as the absence of any of these data will affect the accuracy and neutrality of the outcome <sup>74</sup>.While it might not be an extensive problem in Western countries ,lack or unavailability of information is a formidable one in Africa .This is so especially when African governments are reluctant to spread or help in publishing the kind of information that can practically shake their stability ,their authority over the masses and exposes them to losing some of their credibility .Therefore ,it was no coincidence

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Index of Sustainable Economic Welfare) ISEW ,(Genuine Progress Indicator) GPI ,(and other related indexes.“ 108:(2003)and.116

70 Kubiszewski et al» Beyond GDP :Measuring and achieving global genuine Progress58:(2013) .«

71 Lawn ” .The Failure of the ISEW and GPI to fully account for changes in human-health capital-A methodological shortcoming not theoretical weakness.167 :(2013) .“

72 Talbarth and Webb ” Genuine Progress Indicator -Monitoring and Evaluation.2:(2014) .“

73 Kubiszewski et al» Beyond GDP :Measuring and achieving global genuine Progress.58:(2013) .«

74 Bagstad and Shammin ” Can the Genuine Progress Indicator better inform Sustainable Regional Progress? A case study for Northeast Ohio.339 :(2012) .“

that our attempts to calculate a GPI for Egypt failed for the lack of information needed .In this light ,it seems unrealistic to assume that such governments would officially recognize the GPI as an indicator of human welfare without a strong grassroots pressure for such a concession.

## VI-Conclusion:

The aim of this paper was to conceptually introduce the GPI indicator and discuss the prospects of its introduction into Egypt and other developing countries especially in Africa .As a relatively new indicator ,the GPI carries a number of advantages that makes it convenient to overcome the limitations of the more dominant GDP as an indicator of human welfare and a deep economic progress, despite of the weakness it continues to exhibit and the difficulties that associate its introduction to Africa .For sure ,such weaknesses prevent the GPI from presenting itself as a perfect indicator and makes it fall short from its full potential .Despite all of these ,the GPI can still help in identifying a number of reasons responsible for the hindrance of inclusive development in Africa and the interests retarding its progress .In fact ,it perfectly symbolizes ,by its focus on the externalities of the ongoing economic expansion ,the necessity of moving away from the belief in growth as the ultimate goal .Its ability to shed light on forms of inequality and to define progress humanly ,whether inside a nation or worldwide ,places it in a position to fight against the kind of ideas dominating over the economical circles nowadays and the projects they implement .Even if not its original purpose ,the GPI has the potential of extending a type of criticality indispensable for the process of eradicating inequality and leading the way to elevate human welfare and standards of living .Simply put ,GPI is still not a perfect indicator but is definitely a step in the right direction ,away from a neoliberal global order that values monetary economic growth above all .Instead of exclusively critiquing existing dominant indicators ,the GPI represents an effort at producing an alternative indicator ;one that highlights progress) and lack thereof (and illuminates the failures of current growth-oriented economic policies ,instead of saluting them.

