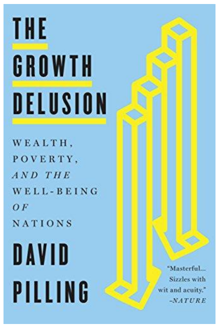

YOUR KINDLE NOTES FOR:

The Growth Delusion: Wealth, Poverty, and the Well-Being of Nations

by David Pilling

Free Kindle instant preview: http://amzn.asia/6ODFGro

52 Highlights

Highlight (Yellow) | Location 72

> There are many competing explanations for what has caused popular rage in countries that have, judged by conventional measures, never been richer. There is, though, a common thread. People do not see the reality of their lives reflected in the official picture, the picture painted principally by economists. Some of the forces at play in this backlash stem from issues of identity, a sense of helplessness, lack of affordable housing, an absence of community, and anger against money politics and rising levels of inequality. Some stem from the fact that our definitions of "growth" and "the economy" no longer fit people's lived experience. This book aims to explain the gulf between what experts say about our lives and what our lives actually feel like.

Highlight (Yellow) | Location 86

> GDP is mercenary. It doesn't deign to count transactions where no money changes hands. It doesn't like housework (here, at least, I find common cause) and it shuns all volunteer activities. In poor countries it struggles to account for most human endeavor, the bulk of which takes place outside the moneyed economy. It can count a bottle of Evian in the supermarket but not the economic impact of a girl in Ethiopia who trudges for miles to fetch water from a well.

Highlight (Yellow) | Location 95

> Our definition of the economy, in short, is pretty crude. As someone remarked casually to this author, "If you're stuck in traffic for an hour, that contributes to GDP. If you go around to a friend's house to help out, that doesn't." It was, he said, "all you need to know." In the hope that he was wrong about that, I hope you'll read on.

Highlight (Yellow) | Location 111

> One problem with growth is that it requires endless production and, its close cousin, endless consumption. Unless we want more and more things and more and more paid experiences, growth will eventually stall. For our economies to keep on moving forward, we must be insatiable. The basis of modern economics is that our desire for stuff is limitless. Yet in our heart of hearts we know that way lies madness.

Highlight (Yellow) | Location 163

> If growth is a relatively new concept for human societies, then the economy is an even newer one. Before the invention of GDP, it was pretty difficult to define what an economy was, even if you wanted to. Before then, an economy was pretty much a cost saving, what Jane Austen meant when she wrote to her sister in 1808, “I shall eat ice and drink French wine and be above vulgar economy.”9

Highlight (Yellow) | Location 204

> Only in economics is endless expansion seen as a virtue. In biology it is called cancer.11

Highlight (Yellow) | Location 424

> The way we calculate economic growth today ignores Kuznets’s warnings. The bigger our banks, the more persuasive our advertisers, the worse our crime and the more expensive our health care, the better our economies are seen to be performing. That is not what Kuznets wanted. But it is what we got.

Highlight (Yellow) | Location 510

> national income, he says, has never pretended to be a moral measure, nor a proxy for well-being. “If you want to increase GDP, you should raise value-added tax, increase use of illegal drugs and prostitution and have a war,” he offers. “Sounds like a right happy time, doesn’t it?”

Highlight (Yellow) | Location 749

> Nutritionists are almost unanimous in recommending that mothers breastfeed babies for the first six months.16 Because of the antibodies in colostrum, the first milk a mother produces, more than one-fifth of deaths in newborn babies could be prevented if all infants were breastfed within the first hour of life. All the women of the world could suddenly decide that they were going to breastfeed their children for the first six months to the enormous benefit of the next generation. Yet this would not affect growth in any way. In fact, economic activity would decrease because of the loss of sales of paid-for infant formula. This is a classic example of perverse accounting: we value precisely the opposite of what is actually beneficial. Those who advocate government policies to encourage breastfeeding are outgunned by lobbyists working for baby-formula companies, who can point to the economic benefits of their industry.

Highlight (Yellow) | Location 894

> By the end of October, Iceland, just months previously an apparently roaring success, had gone cap in hand to the International Monetary Fund for a bailout. The stock market fell 85 percent and every Icelandic man, woman, and child was on the hook for their $330,000 share of the $100 billion in losses racked up by reckless banks.

Highlight (Yellow) | Location 922

> The first is as much psychological as anything else. This is what you might call the danger of the circular argument, one that goes like this: “We all know growth is good. Growth is measured by GDP. So when GDP is going up that must be good. Giving free rein to banks to do their thing is a recipe for higher GDP. Ergo giving free rein to banks must be good.” That led ambitious governments around the world, including Iceland’s, to ape the Anglo-Saxon model, one that involved liberalization, deregulation, and privatization. Really anything with a “tion” on the end of it would do. Banks were allowed to get on with the business of “wealth creation”—which mostly meant shuffling bits of paper among themselves, lending recklessly, and paying themselves fat bonuses.

Highlight (Yellow) | Location 962

> Banking, as has been said by more than one person, is socialism for the wealthy and capitalism for everyone else.

Highlight (Yellow) | Location 967

> That brings us to the second, slightly more technical, matter of the way we account for banking activity in our national accounts. The system that has evolved is perverse. It stems from the fact that banks do not charge fees for many of their activities. If a bank lends you money, it may charge a one-off fee. But the bulk of its revenue comes from what is called the spread—the difference between the interest rate it charges you and the interest rate at which the bank itself can obtain money.

Highlight (Yellow) | Location 975

> So, from an accounting point of view, the riskier the portfolio of loans the greater the contribution to growth. Put another way, the more catastrophically irresponsible bankers are, the more we judge them to be helping the economy to grow. It is as if a driving instructor rated your proficiency solely on the basis of your maximum speed.

Highlight (Yellow) | Location 1041

> “The goal of disruptive technology companies, in the statistical sense, is to reduce GDP,” Page said when I found him lurking in one of the corridors. “To wipe out transaction costs, which are being measured, and to replace them with convenience, which is not being measured. So the economy is shrinking, but everyone is getting a better deal. Lots of what tech is doing is destroying what wasn’t needed. The end result is you’re going to have less of an economy, but higher welfare.”

Highlight (Yellow) | Location 1087

> With computers and other technology services, the improvement—and therefore the fall in prices—is faster than statisticians can keep up with. That means we are overestimating inflation and thus underestimating the real size of our economies.

Highlight (Yellow) | Location 1181

Many are open twenty-four hours a day. They are cheap but of excellent quality and incredibly convenient, yet looked at in purely numerical terms less efficient than cavernous US superstores on the outskirts of big cities. These experiences are incomparable. Nor, incidentally, is any allowance made for the fact that Japanese shops tend to be within walking or, at most, cycling distance. Data fail to capture the inconvenience of having to drive out of town, or the “externalities”—the unmeasured side-effects—associated with long shopping expeditions: traffic accidents, pollution, road maintenance, stress, and lost time.

Highlight (Yellow) | Location 1186

Services are inherently subjective. An engineer is asked how to make the service on the London–Paris Eurostar more pleasant. He recommends spending £6 billion on new track to shorten the three-and-a-half-hour journey by forty minutes. An advertising executive is asked the same question. He comes up with a different solution. He recommends hiring male and female supermodels to walk up and down the aisles dispensing free Chateau Petrus throughout the journey. The train company will save billions on new track. And passengers will actually ask for the trains to slow down.12

Highlight (Yellow) | Location 1239

One report found that only 2 percent of the cost of an iPhone went to Chinese labor, with 30 percent going to Apple’s shareholders in the form of profits.

Highlight (Yellow) | Location 1303

Without a decent job, a person’s chance of finding a stable partner falls, and the risk of drug addiction, alcoholism, depression, and suicide rises.

Highlight (Yellow) | Location 1398

The fact that an economy is growing tells you nothing about what is happening to the distribution of wealth. True, we cannot forget the lessons of the previous chapter, which are that quality improvements and technological advances could mean we are better off than we think.25

Highlight (Yellow) | Location 1546

See, what I’m trying to push,” he says, “is that this number is not a meaningless number. But you have to understand what its meaning is.”

Highlight (Yellow) | Location 1688

of Asia’s most rambunctious democracies, one that in 2017 had the confidence to impeach a president for abuse of office.

Highlight (Yellow) | Location 1820

The big advances in health come when a country moves from lower-middle-income status, like India and Indonesia, to upper-middle-income status, like China. That happens at around a nominal income of $4,000.20

Highlight (Yellow) | Location 2009

Still, Niu's small team has produced numbers on China's "real" growth rate—adjusted for waste, environmental destruction, and social disharmony. They are controversial, inconvenient—and more or less secret. "We have a rough calculation but we don't announce it," he says cryptically. Pressed, he concedes that, according to his calculations, "about a third of China's stated GDP is not real." "We shouldn't worship GDP and we shouldn't abandon GDP," he said on another occasion. "Our aim is to have a GDP that consumes fewer natural resources, is less harmful to the environment and has a low social management cost. We want rational, genuine GDP."10

Highlight (Yellow) | Location 2111

Imagine for a moment two people, Bill and Ben. Bill is a banker and earns $200,000 a year at Goldman Sachs. OK, he's miserably paid by banking standards, but bear with me. Ben is a gardener and earns $20,000 pruning roses and trimming hedges. Who is better off? If you measure the income each receives, then Bill is clearly richer, in fact precisely ten times richer. This measurement is the equivalent of GDP; it tells you about the "flow" of income each receives in a particular year. But, just like GDP, these numbers don't reveal much about the true wealth of Bill and Ben. To discover more, you'd need to know about their stock of assets. Did I forget to mention that Ben the gardener recently inherited a huge country estate in Long Island worth $100 million? In truth, he works in his own vast garden as a bit of a hobby on Tuesday afternoons and pays himself a token wage. But he plans to sell off the estate next year,

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Our standard growth measurement tells us everything about income and nothing about wealth.

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Rather than measuring the flow of incomings and outgoings, it takes a snapshot. It lists assets, liabilities, and shareholder equity. It shows what the company owns and what it owes. In the process it reveals what a company is actually "worth" rather than merely showing the profits it is able to generate this year—but not necessarily in the years ahead.

Highlight (Yellow) | Location 2187

count the depreciation of assets. "If a wetland is drained to make way for a shopping mall, the construction of the latter contributes to GDP, but the destruction of the former goes unrecorded." If the social worth of the mall was less than the social value of the wetland, "the economy would

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Highlight (Yellow) | Location 2405

indefinitely so long as it is paid for in endlessly printable, potentially worthless, currency.13 Instead of pounds, dollars

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Highlight (Yellow) | Location 2576

Many countries, especially ones in the developing world with weak institutions, fall prey to the so-called resource curse. Instead of using revenue to build the country's future, they scramble to spend it as fast as possible. What should be a once-in-a-lifetime chance to improve a country's prospects becomes what economists call a rent-seeking opportunity, with those in power and their hangers-on scrambling to make a quick buck.

Highlight (Yellow) | Location 2656

Homo economicus, "a somewhat miserable vision of a human being who is constantly calculating, putting prices on things, neurotically pursuing his own personal interests at every turn."

Highlight (Yellow) | Location 2704

One paper written at the London School of Economics compared data from a twice-yearly Eurobarometer survey conducted since 1973 against election results across Europe. In the survey, which covers a random sample of more than one million respondents, people are asked, "On the whole, are you i) very satisfied, ii) fairly satisfied, iii) not very satisfied or iv) not at all satisfied with the life you lead?" The paper found that answers to that question were a "robust predictor of election results" and a better guide to voting intention than any other measure including GDP.8 To Bill Clinton, Layard says, "It's happiness, stupid."

Highlight (Yellow) | Location 2736

have dominated the list of the happiest countries on earth.9 The 2016 report was no exception, with all five Nordic countries in the top ten. That's not bad for a group of nations

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Highlight (Yellow) | Location 2746

sub-Saharan Africa, a result replicated in other surveys. Denmark is the happiest country on earth, Burundi the saddest.

Highlight (Yellow) | Location 2750

If you thought happiness was purely a matter of a person's mood or personality, you might expect people to adapt to whatever conditions they lived in and to exhibit similar levels of happiness around the world. That is decidedly not the case. In countries where conditions are objectively bleak, people assess themselves as unhappy.

Highlight (Yellow) | Location 2771

> According to the authors of the report, three-quarters of the variation between happy and less happy nations can be explained by six variables. These are income (GDP per capita), healthy years of life expectancy, having people to turn to, trust in others (roughly equated to lack of corruption), perceived freedom to make life decisions (what is sometimes called agency), and generosity (the propensity to donate to charity).

Highlight (Yellow) | Location 2798

> Layard is so convinced the data are robust, he thinks government policy should be aimed at happiness maximization, not growth maximization. “We know that the really big factors that influence happiness are mental health, which is hugely important, and the quality of relationships in the family,

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Highlight (Yellow) | Location 2823

> family. Addictively seeking status and income is like smoking. “We usually deal with addictive expenditures by taxing

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> rightly so…We should not hesitate to tax other unhealthy

Highlight (Yellow) | Location 2827

> banning advertising directed at under-twelve-year-olds on the grounds that it inculcates consumerist—and ultimately fruitless—desires in the young and impressionable.

Highlight (Yellow) | Location 2838

> disruption, alienation and higher crime in areas with large transient populations. “A good predictor of low crime rates is how many friends people have within fifteen

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Highlight (Yellow) | Location 2844

> produce the same impact through relieving poverty. “To say mental health is a bigger issue than poverty makes some people very angry. But the evidence is so glaring, you have to say it.”

Highlight (Yellow) | Location 2851

> He cites a study in which 77 percent of Swedish children aged eleven to fifteen supported the assertion “Most of the students in my class are kind and helpful.” In the US only 53 percent agreed with the statement, and in the UK that view was shared by only 43 percent. Britain, it seems, is good at teaching children how to get ahead. Sweden is better at teaching them how to get along.

Highlight (Yellow) | Location 3035

> In explaining the GPI's rationale, the department's website gives the example of economic expansion resulting from the "explosive growth of urban sprawl." All that activity in construction, new sewerage systems, new roads, and new cars counts toward growth, but sprawl is also associated with several costs such as longer commutes, loss of community, destruction of natural land, as well as water and air pollution. "Just because we are exchanging money within an economy does not necessarily mean that we are sustainable or prosperous." It is pure Kuznets.

Highlight (Yellow) | Location 3145

> we can see a sunset or see the mountains," says McGuire. "It's soul crushing." When he first started costing Maryland's wetlands, forests, and green spaces, he says, "I'm like, this is not cool." But, he has concluded, in the real world of policymaking "numbers matter and money matters more. People say, 'How do you put a price on the priceless?' But if you don't do that, this is what you get, what

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Highlight (Yellow) | Location 3201

> to something hard to price—say volunteer work, life expectancy, clean air, or a sense of community—you must either figure out a way of attaching a dollar amount to it or just forget all about it. The idea that all things can be priced stems partly from the work of Jeremy Bentham, the man whose missing head, you'll recall, is worth ten pounds. The theory of marginal utility, a foundation of modern economics, states that the price of a good or a service reflects the additional satisfaction gained from consuming an extra unit of that product. It is this reductionism

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Highlight (Yellow) | Location 3245

> The easiest way of increasing the size of an economy is simply to add people. If Donald Trump wants 3 percent growth, it is very easy to achieve: all he has to do is knock down that unbuilt wall and invite in 10 million new people to America each year. What he really wants, however, is 3 percent per-capita growth, which is quite another thing—and much harder to achieve.

Highlight (Yellow) | Location 3251

> growth rates, as being in a "demographic death spiral."4 Economists are so wedded to the idea that the economy must always be expanding that they find it hard to break the logic of "just add people." If Thomas Malthus thought more and more people would be the death of human civilization, modern economists think the reverse. Yet unless

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Highlight (Yellow) | Location 3331

> They are hugely political. If we bother to measure something, it is because we think it is important and want to influence it. For those who accept that high levels of CO_2 are bad, the objective is to control or reduce it. But for those who

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Highlight (Yellow) | Location 3352

> thirty-eight countries across eleven different “topics” from housing and environment to security and income. The beauty of the index is that you can personalize it, giving whatever weight you like to each category. It is a sort of studio mixing deck of well-being. Say you value work-life balance above all else, simply turn that dial up to maximum and see which countries come out best. (Answer: the Netherlands.)19 The index is less of a policymaking tool and more of a way of illustrating the trade-offs between different desirable outcomes.

Highlight (Yellow) | Location 3540

> quite as badly as commonly assumed. Nominal GDP had stalled, but adjusted for prices and a shrinking population, real per-capita growth in Japan was reasonable.