
There's More To Life Than GDP

For a good portion of the 20th century there was an implicit assumption that economic growth was synonymous with progress: an assumption that a growing Gross Domestic Product (GDP) meant life must be getting better. But now the world recognises that it isn't quite as simple as that.'

[Global Project on Measuring the Progress of Societies](#), OECD

Last week I lamented what I perceive to be an obsessive focus on GDP growth. If it's a fact that [more wealth doesn't make us happier](#), why are we obsessed with economic growth as a measure of progress?

Well, it turns out that in the same week the Australian Bureau of Statistics (ABS) released its latest [Measures of Australia's Progress](#), an attempt to measure progress on a much broader basis than GDP growth alone.

In addition to economic growth, the report tries to capture a range of other factors including health, education, social cohesion, housing, biodiversity and waste. These 'headline dimensions' each have a 'headline progress indicator' and a bunch of supplementary progress indicators. For example, 'Health' is a headline dimension, 'life expectancy at birth' is the headline progress indicator for this dimension and supplementary progress indicators include the infant mortality rate and potentially avoidable deaths.

The ABS then pulls all of this information together into a dashboard (see below), which is supposed to be an indicator of progress. Over the past decade we've made progress on most economic measures, with the notable exceptions of productivity and housing, and also improved in the areas of health, work and education and training. We get a red light for biodiversity and atmosphere and the ABS still isn't sure how to measure several other important measures of progress.

It's easy to be critical. People will argue forever about what should be included and what shouldn't. My biggest criticism is that the dashboard itself is insipid. Media and politicians need punchy, concise and relevant information. 'We got three ticks, two crosses and one flat line' is hardly going to make it onto the front page of the paper. I'd like to see them give all of these factors a weighting and publish one numerical estimate of progress. Obviously this would be subjective, but that's no different to the rest of the statistics we already take for granted. Who decides what items go in the CPI basket and what weighting to give a loaf of bread versus a roof over your head?

Overall, though, I think it's a great move by the ABS to make a start on measuring what's important. They might end up with a measure of progress that's approximately right, as opposed to the current GDP measure, which is exact but wrong.

