MANORANJANA GUPTA

Integrating intangible values such as sustainability & resilience into computation of GDKP replacing GDP for economic growth revolution[1]

We are talking about a new, historical and innovative method of measuring a country's wealth in the Digital Age, shifting from the production of goods and services used to calculate the Gross Domestic Product to instead measuring the production of knowledge. We are talking about integrating intangible values such as sustainability & resilience into GDP computation to create a new economic measure to compute the wealth of nations. Replacing GDP with GDKP could swing India and all other developing nations towards an economic growth revolution.

The Gross Domestic Product, as originally elaborated by economist Simon Kuznets, was valued in the 1990s as a theoretic innovation that became the most commonly-accepted gauge of economic progress worldwide. However, in the last 20 years, the GDP has come under increased scrutiny because it measures only basic values for production in a specific year without guidance for long-term change.

The Commission on the Measurement of Economic Performance and Social Progress examined how the wealth and social progress of a nation could be measured without relying on GDP. The Commission criticized the GDP because it provides solely a simple total value of goods and services produced in a specific year, and does not measure the quality of production or provide information on individual wealth, and lacks the information to provide guidance for national economic growth.

The Commission's final report in 2009 recommended moving away from using the GDP, but without a specific recommendation for an alternative. Since then, many indices were suggested as possible substitutes for the GDP, but all failed to be accepted.

GDKP takes a different approach to measuring a nation's growth and future. It addresses all of the Commission's criticisms of GDP by establishing a new form of measurement: GDKP measures a nation's growth and future through four basic pillars - Knowledge items, Country's Knowledge Producing Matrix, Country's Knowledge User Matrix and the Cost of Learning.

Many times I spoke to Professor Sulpasso and he warns that a sixth mass extinction is on the cards. The end of the Anthropocene age is nearing. Even the United Nations agrees. And the culprit is the GDP model of calculating the wealth of nations.

This basically implies that for the planet to survive, we need to get rid of GDP and replace it with an index that takes everything into its calculation in the digital age - Be it climate change, be it sustainability, resilience, pollution, cost of learning and all other intangibles.

Today, whether you are a developed nation or a developing one, you are dependent on this index for all mechanisms of international and national financing. Almost sixty years

[1] Text of a speech delivered at Cambridge university conference on resilience and sustainability in modern economy, by MS Manoranjana Gupta, Senior Advisor for GDKP India of UCS Digital Center for Future, Annenberg School

ago, on 18th March 1968, Robert F Kennedy gave a speech at the University of Kansas in which he famously questioned the authority of the Gross National Product as a legitimate measure of national wellbeing. He said - and I quote - The GDP 'measures neither our wit nor our courage, neither our wisdom nor our learning, neither our compassion nor our devotion to our country'. 'It measures everything in short, except that which makes life worthwhile.'

Half a century on, with the world still obsessed with increasing the GDP at almost any cost, it's worth pausing a moment to reflect on the distance we have travelled—or not travelled—since that March day in Kansas. And on the reflections of a man who, were it not for the assassin's bullet, might have brought America and the world to its senses five decades ago: measuring the 'busy-ness' of the economy and calling that progress never was and never will be the route to a lasting prosperity.

That critique has mainly focused on the measurement problem: the idea that an accounting framework based around the production and consumption of goods is not a very good measure of economic success. Measurement is a gloriously technical issue. A safe enough space to allow even governments and intergovernmental agencies to approach the problems that Kennedy was alluding to.

But the clean language of measurement has allowed even the most conservative politicians to engage 'safely' in the debate about the merits and failings of the GDP. When David Cameron launched the UK Office for National Statistics' – calling it the National Wellbeing Project - in 2010, he even cited Kennedy's Kansas speech in his defence.

Each time I discuss the subject with Professor Sukpasso, he says emphatically that we must correct this fatal imbalance. We are all heading for extinction because of this unhealthy computation which is making the rich nations richer and the poor nations poorer. The recent pandemic that has disrupted the entire planet, has further exacerbated this problem. And yet, no one dared to make a change.

Important authorities have followed one another to solve the problem of renewal, but only India has taken a relevant initiative by identifying the hundreds of factors that go into the computation of the GDKP, which is destined to radically change the world. The Niti Aayog, the highest economic policy planner in the country, has appointed Prof Sulpasso to work on this novel idea. Along with several other arms of the government, Niti Aayog is working on this historical concept.

For those who may be interested in knowing more about the GDKP, I must tell them that the traditional economic growth model computations are based on three basic factors.

One, getting raw material at the lowest possible cost wherever it is located .. even if it means going to war; second, pushing production costs to bare minimum even if that implies economic instability and mass unemployment; and third, focusing on only production of mass consumption items regardless of its impact on planet safety.

Prof. Sulpasso points out that originally this reference to GDP of the late '40s had its historical justification. Coming out of the terrifying crisis of Wall and from the disasters of the Second World War, humanity wanted to return to live nicely, it wanted food, consumer goods, and the lack of essential goods .. all this naturally promoted a push to production of material goods at mass production and at lowest prices, but economists

did not realize that a vision of the wealth of nations valid for the post-war world, based only on the material production of goods, had become totally irrelevant with respect to the worldwide evolution of a post-IT society and the birth of the Internet. Boundaries had fallen apart and GDP could not be any longer a reference.

There was a historical error on part of the economists. They did not realize that the most extraordinary cultural innovation of knowledge, Internet and IT, was the basis of a radically different economy all over the world, in which knowledge became by far the most important raw material of humanity ... produced and traded by billions of people across boundaries of nations. Knowledge had become the most important raw material in the world. And .. we needed a new measure for calculating the wealth of a nation. GDP could no longer be based only on material wealth. Intangible factors must be introduced.

I have heard everyone here discussing sustainability and resilience, but as I understand, sustainability and resilience play a crucial role in determining the ECONOMIC progress of a country ! Sounds incredible, but it is true .. that we have been following the concept of GDP which has been thrust upon us as the sole indicator of a country's progress. But over a period of time, it has been recognised that there are limitations to the GDP being touted as the singular most important index determining a nation's economic progress.

The world is today divided into silos, thanks to the huge disparity between the GDP of nations. And it has become a vicious circle ! Today, developed nations which enjoy a higher GDP get billions of dollars from multilateral institutions in funding so that they can grow bigger and grow wealthier, whereas funding to the poor nations with a poor GDP is next to nil, therefore making the rich richer and the poor poorer.

Sustainability and Resilience in New Metrics

IN CONCLUSION, the traditional GDP measures only tangible economic outputs, neglecting essential aspects like:

1. Environmental degradation
2. Social inequality
3. Human well-being
4. Knowledge generation .. and
5. Cultural Heritage

In the light of this anomaly, there is an urgent need to incorporate intangible values, such as sustainability and resilience, into a broader metric. We need to incorporate

1. Natural capital depletion
2. Social cohesion and inclusivity
3. Human capital development
4. Innovation and knowledge creation .. and ...
5. Cultural diversity and preservation

By accounting for these intangible values, GDKP would:

1. Encourage sustainable practices
2. Foster resilience in the face of global challenges
3. Promote investments in human capital and knowledge generation 4. Support the preservation of cultural heritage and biodiversity

Shift from GDP to GDKP

The shift from GDP to GDKP would require significant changes in how we approach economics, policy-making, and decision-making. It would also necessitate the development of new methodologies and data collection systems to capture these intangible values accurately.

While this transition presents challenges, it is essential for creating a more equitable, sustainable, and resilient future. By acknowledging the limitations of GDP and embracing a more comprehensive metric like GDKP, we can better align our economic systems with human well-being and the long-term health of our planet.

Breaking the GDP monopoly requires a multifaceted approach that involves various stakeholders, including governments, international organizations, academia, and civil society. We need to .... Raise awareness, Educate policymakers, business leaders, and the general public about the limitations of GDP and the benefits of a more inclusive metric.

We need to develop alternative metrics to Integrate intangible values such as environmental, social, and governance (ESG) factors into national accounting systems.

We need Policy reforms and we need to encourage governments to adopt policies that prioritize sustainable development, social equity, and environmental protection.

We need International cooperation. We need to Collaborate through global forums like the United Nations, the IMF and the World Bank ... to establish a new standard for measuring progress.

And most of all, we need leaders to champion the cause and commit to implementing GDKP as a complementary metric.

Jai Hind

By working together and pursuing these strategies, we can create a more inclusive and sustainable economic framework that values the well-being of people and the planet. But, of course, it is not going to be easy. Changing the paradigm of how we measure progress and prosperity will face resistance and obstacles. Countries
that benefit from the current system are bound to resist the change that could impact their power or profits. However, the benefits of a more comprehensive metric like GDKP make the effort worthwhile. With persistence, collaboration, and a shared vision, we can overcome these challenges and create a better future for all.
Thank you .. and with this, I hope to have ignited the thought within all of you to evaluate our new research and become our cheerleaders.
Many thanks and Jai Hind