Summary

FRAMING THE ECONOMY

An inquiry into the conceptual and institutional strength of the GDP growth paradigm

The roots of this dissertation lie in a conference I attended in Brussels in 2007: *Beyond GDP. Measuring Progress, True Wealth, and the Well-being of Nations*, organised by the European Commission, the European Parliament, the OECD, the Club of Rome and the World Wildlife Fund. Hundreds of policymakers, politicians, business representatives, activists, academics, statisticians and journalists gathered around the shared conviction that Gross Domestic Product (GDP) had become an outdated indicator of societal progress. Once developed as an appropriate measure of industrial production and material prosperity, GDP increasingly came under criticism during the second half of the twentieth century. As a measure of societal success, GDP — and the Economic Growth it promotes and legitimises — appeared blind to the quality of life, the strength of society and the condition of the (global) environment. The Brussels conference seemed to mark a historic and iconoclastic culmination of these criticisms. As European Commission President José Manuel Barroso declared: 'We cannot face the challenges of the future with the tools of the past', he said. 'It's time to go beyond GDP'.

Closer examination, however, quickly revealed that over the years many similar initiatives had sought to move society, and its core indicators, 'beyond' GDP. There exists a vast and growing body of academic and public literature that continues to uncover and explain the history of GDP, its original statistical and societal merits, and its shortcomings for today's policy priorities. An active community of GDP critics has been calling for change for decades through books, pamphlets, conferences and countless meetings. Yet remarkably little has changed. GDP, as the measure of the 'size' of The Economy — and especially GDP *growth* as the measure of 'economic growth' — remains the world's most pervasive and influential political indicator. GDP appears virtually untouchable. The Brussels conference likewise failed to produce any fundamental change: the European Commission ultimately decided to continue working with GDP while complementing it with additional indicators.

A tentative hypothesis emerging from the Beyond GDP literature is that the dominance of GDP is closely connected to an outdated definition of 'the economy'. GDP cannot be fundamentally problematised without questioning and ultimately transforming the underlying concept that it is intended to measure. Yet this hypothesis has never been explored systematically or in depth. Although several authors recognise that 'the economy' 'exists' quite assertively in public discourse, government institutions and policy documents, little attention has been devoted to explaining *how* 'the economy' acquired its particular meaning, its institutional status, and how this is related to the remarkable resilience of GDP. Many authors also appear to underestimate the conceptual strength and institutional resilience of 'the economy', both because of the power of the concept and because of its deep embedding in statistical practices and public policy. It is therefore not surprising that many critics describe GDP as a 'fetish', a 'mantra' or even a 'cult', claiming that it has effectively trapped our political imagination. Others speak of a 'growth paradigm': a dominant repertoire of ideas, theories and statistical practices that together have led us to perceive 'the economy' as an autonomous sphere and object, inherently inclined towards 'growth', which is widely regarded as both legitimate and desirable as the principal means of addressing societal problems.

In this dissertation I develop this hypothesis further in order to contribute to a better understanding of the growth paradigm and the persistent prominence of GDP that accompanies it. I investigate, on the one hand, the principal constitutive economic ideas and theories and, on the other, the accounting practices — particularly GDP and the System of National Accounts — that have together produced a deeply institutionalised definition of The Economy and an equally institutionalised commitment to Economic Growth — in capital letters. Subsequently, I examine whether, and in what ways, GDP-critical initiatives and the broader sustainability movement have positioned themselves in relation to this conceptual and institutional framework. To this end, I draw on three bodies of sources: (1) the Beyond GDP and broader sustainability literature; (2) multidisciplinary scholarly work on *the economy* as a discursive construct; and (3) institutional sources through which The Economy has been consolidated in accounting, statistical and policy practices. Particular attention is paid to the United Nations' System of National Accounts (SNA), which plays a pivotal role in this process.

Chapter 1 examines the remarkable resilience of GDP. I begin by reconstructing the arguments that have been advanced for decades to problematise the societal significance of GDP. These arguments can be summarised in three principal critiques, accompanied by two

frequently voiced counterarguments. The first argument (A) is that more GDP does not necessarily lead to greater well-being, or at least to progressively smaller improvements in well-being. Processes such as commodification, adaptation and positional consumption all contribute to this disconnect. The common counterargument — that even if the additional benefits are limited, more remains better than less, and GDP growth therefore remains desirable — is undermined by the second argument (B): GDP growth fails to account for many of the costs associated with production, consumption and maintenance. Most importantly, it ignores the unpriced negative externalities imposed on ecosystems. The second counterargument — that GDP (growth) is *merely* an *economic* indicator and is therefore not intended to capture well-being or social and ecological dimensions — is likewise unconvincing. The third argument (C) demonstrates that GDP fails even as an economic indicator. It overlooks important forms of production, measures the quality of goods and services inadequately, and conflicts with fundamental economic and accounting principles concerning costs and benefits, efficiency, optimisation, and the distinction between flows and stocks. This final blind spot is perhaps the most fundamental: GDP neither measures nor safeguards its own productive capacity. Consequently, GDP fails not only as a measure of societal progress but also as a measure of economic performance. There is therefore little reason to maintain GDP as the dominant indicator. Yet the paradox remains that it continues to occupy precisely that position.

Chapter 2 begins the investigation into the hypothesis developed to explain this paradox. It reconstructs how 'the economy' has gradually been 'reified' since the 16th century into the independent, complex and nation-state-based object that today appears entirely self-evident. Rather than offering a conventional intellectual history, the chapter provides a conceptual inventory by identifying eight defining properties that gradually came to constitute 'the economy': (1) semantic structure, rooted in *oikos* and *nomos*; (2) distinguishability; (3) the existence of a separate domain or dimension; (4) systematicity; (5) autonomy or self-governance; (6) interiority; (7) totality; and (8) its embedding within the nation-state. The Economy — capitalised to symbolise both its conceptual self-evidence and its institutional acceptance — has thus been transformed into a distinct and naturalised sphere, while simultaneously becoming a self-regulating and comprehensive system that has appropriated the conceptual chassis of the nation-state. The conceptual consequences are far-reaching. A historically contingent distinction between the economic and the non-economic has come to appear entirely natural, while The Economy itself increasingly seems capable of existing independently of any material environment.

Chapter 3 examines how these conceptual elements are subsequently reaffirmed in accounting ideas and practices. Accounting 'does' more than merely represent economic facts; it represents economic theory — or rather, economic assumptions — and constitutes a system with its own logic that primarily strives for precision rather than truthfulness. This 'performativity' characterises business accounting, but also accounting for countries, namely the national accounts, and in particular the globally accepted System of National Accounts (SNA), in which GDP plays a central role. Not only economic actors, their supposedly 'natural' behaviour, the goods they exchange and the markets in which they operate are reaffirmed, but also 'economies' as nation-state-based, seemingly complete entities. GDP, as the summary measure of international economic performance, creates and performs this image. Through this process of consolidation, what falls inside and outside The Economy becomes even more firmly established. The Economy appears to require a material environment to an even lesser extent, because it has become more autonomous, appears more complete, and above all takes its place within the 'world economy' as its environment.

Following the reification and 'fortification' of The Economy, Chapter 4 explains how the idea of Economic Growth emerges almost naturally from this conceptual and institutionalised construct, and how GDP-based Growth comes to be regarded as desirable and legitimate in its own right. Behaviour that is perceived as distinctively 'economic', together with the systematic and autonomous character of 'the economy', in which such behaviour collectively results in increasing productivity, is assumed to be allowed to follow its own course. When The Economy effectively constitutes its own sphere of value and judges itself according to its own standards, the material environment — and most of society — is pushed even further into the background. This creates the misconception that Growth is an isolated, *sui generis* phenomenon. Furthermore, GDP as the principal measure of performance reinforces the impression that the activity of Economie*s* essentially *consists of* growing, either over time or relative to one another.

Chapter 5 problematises the attempts by the Beyond GDP community and the broader sustainability movement to address the very real negative consequences of economic growth, most notably the planetary boundaries that continue to be fundamentally ignored. Rather than intervening in the conceptual construct of The Economy, these efforts have largely resulted in the co-option and reaffirmation of 'economy' as an autonomous sphere, positioned alongside 'society' and 'ecology', which are themselves assumed to be independent and fundamentally *non*-economic domains that must somehow be brought into balance with 'economy'. Given

the far greater conceptual strength, institutional entrenchment, and widespread dissemination and use of GDP-based information, this is ultimately a losing strategy. The chapter demonstrates how this juxtaposition of 'economy' — rather than its deconstruction — is visible not only at the Beyond GDP conference in Brussels in 2007, but also in the influential Stiglitz Commission of 2008 and a Dutch parliamentary commission in 2016, all of which were established to reconsider the role of GDP.

Although this dissertation is first and foremost intended to explain the GDP paradox rather than to solve it, the Conclusion presents four 'interventions' that, while taking into account the conceptual and institutional strength of the GDP-growth paradigm, may prove more effective in bringing about genuine change. The first intervention consists of challenging the Economy-concept of the System of National Accounts on the basis of its own assumptions and internal logic. This can be reinforced by the second intervention: working towards a net variant of GDP, an ambition explicitly promoted in the new 2025 System of National Accounts, while carefully designing such an indicator so that it does not inadvertently reinforce the existing Economy-framework. The third intervention concerns initiatives that actively reclaim the label 'Economy' on the basis of superior performance for society and the ecosystem. A fourth intervention would consist of bypassing — or even abandoning altogether — the language of 'the economy' and 'growth', thereby forcing ourselves to articulate more precisely what it is that we actually seek to achieve and encouraging the development of a richer public vocabulary. Such a move would, in turn, strengthen the first three interventions as well.