

A new economic world. Measuring well-being and sustainability in the 21st century

[Éloi Laurent](#) and [Jacques Le Cacheux](#), *Un nouveau monde économique, Mesurer le bien-être et la soutenabilité au 21^e siècle*, Odile Jacob, 2015.

Introduction: Measuring the possibles

“Let no one ignorant of geometry enter here!”

Inscription over the doors of Plato’s Academy in Athens

We live under the reign of gross domestic product (GDP) – 2014 marked its seventieth anniversary. Created by the American economist Simon Kuznets at the dawn of the 1930s, GDP was adopted as an international standard for sovereign accounting at the conference held by the WW2 Allies in July 1944 in the small town of Bretton Woods, in the middle of nowhere. GDP is used to measure monetizable market activities and is the benchmark of economic growth and living standards, and as such over the decades it has become the ultimate measure of nations’ success – precise, robust and comparable.

But GDP, like the conventional economic indicators for which it is the standard bearer, is very rapidly losing its relevance in the early 21st century, for three basic reasons. First, economic growth, which was so strong in the initial post-war decades (1945-1975), is gradually fading in the developed countries, rendering its pursuit an increasingly vain hope for public policy. Second, objective and subjective

well-being – that is to say, what makes life worth living – is increasingly disconnected from economic growth. Finally, GDP tells us nothing about environmental sustainability, that is, the compatibility of our well-being today with the long-term health of the ecosystems on which that ultimately depends – even though this is certainly the major challenge facing our century.

For these three reasons, all over the world growing numbers of researchers [\[1\]](#) and policy makers are recognizing that the standard economic indicators that still guide public debate are in fact misleading compasses that distort our horizons. In contrast, by trying to measure well-being, an effort is now underway to identify the real determinants of human prosperity, going beyond material conditions like national output and personal income. By bringing together the elements required for sustainability (that is to say, dynamic well-being), they are undertaking the even more difficult task of understanding the conditions required for human development to go forward and sustain itself over time, under increasingly powerful ecological constraints.

This effort at understanding is important for two main reasons: because non-measurability leads to invisibility (what is not counted does not count); and because, conversely, measuring means governing: our indicators determine our policies, and rarely for the better. Opening up the range of human well-being means finding ways to overcome short-sighted trade-offs between economic, social and environmental factors. And situating human development within the framework of sustainable development will avoid blind destruction. But how do we take the full measure of our new economic world?

Let's start from the current situation: economic growth as measured by GDP seems, despite a few ups and downs, to have run its course since about 2000 in France, in Europe, and in quite a few developed countries and even emerging countries. A debate has recently arisen, kicked off, as is common, in the

US, about the causes of this stagnation. As far back as the early 1990s hypotheses were advanced for this (the structural weakening of innovation; economic policy mistakes with lasting effects; impoverishing globalization; job-destroying automation), and there have been more or less alarmist predictions about the tragic fate of the West in a world it no longer dominates as it once did. Though these debates are somewhat interesting, they fail to address the core issue: whether or not economic growth returns, it is not synonymous with people's welfare or social sustainability.

Strictly speaking, economic growth has returned in Europe and even more so in the United States since 2010. It is resulting in an "invisible recovery" for the population, whose daily reality is light years away from the official optimism. The gap between policy makers and their constituents about the real state of the economy is so gaping that it now seems as if there are two parallel universes that are unaware of each other. In Europe, sluggish growth barely masks a harsh social regression, especially in France, where living standards are inexorably declining, reversing a trend that is over forty years old. In the US, once deflated of finance and income inequality, the wondrous but very recent economic expansion has brought nothing for 99% of the population. The Wealth of Nations, alongside the poverty of the people...

On the other hand, the collapse of economic wealth, however significant, cannot express the brutality of the civilizational destruction being inflicted on Greece, in the context of the European crisis, in the name of "fiscal discipline"[\[21\]](#).

In the meantime, there is a lack of general awareness that every day climate change, the loss of biodiversity and deteriorating ecosystems are undermining not only our own future quality of life, but also that of those who will follow us.

For all these reasons, we already know that the “return to growth” being announced in France for 2015 and 2016 will disappoint expectations. The point is not therefore to attempt to force the pace by feeding an ailing boiler with, if need be, the wood that makes up our ship, but to equip ourselves with a reliable compass to avoid a shipwreck and to navigate as smoothly as possible on the seas of the new economic world.

...the rest of the introduction can be read [in French] on the Odile Jacob website:
http://www.odilejacob.fr/catalogue/sciences-humaines/economie-et-finance/un-nouveau-monde-economique_9782738132901.php

[1] In the French-speaking world, we salute the pioneering and stimulating work of Dominique Méda, Florence Jany-Catrice, Jean Gadrey and Isabelle Cassiers, who for many years have identified and written accurately about the limitations of GDP and the narrow horizons set by economic growth.

[2] While GDP has fallen by 25% in Greece since 2009, the decline in health indicators (lower life expectancy, increasing number of suicides, rising infant mortality, the financial strangulation of the public health care system, etc.) is much more worrying for the future of the Greek people.