



**Diane Coyle**, *GDP: A Brief but Affectionate History*, Princeton: Princeton University Press, 2014, 167 Pages

**Reviewer:** Isa Yilmaz

Evidence suggests that the most advanced economies of the world experience high economic growth rates. These growth rates in turn are estimated by measuring their respective Gross Domestic Product (GDP). It comes to mean that the total income or national output that an economy reaches with one year should be maximized in order to enhance economic performance. GDP per capita, similarly, shows the average per head income that reaches to the citizens of a country. Today, the list of developed countries in various economic reports including Human Development Index (HDI) is compiled by comparing the real GDP per capita levels of different countries. GDP, hence, got popularised since the last century not only with an intent to determine the size of economy but also to make a comparison with other countries' social welfare levels. However, making direct inference about the social welfare positions of societies from the GDP levels has not been questioned thoroughly by economic scholars. This issue is of special importance since GDP does not purport only a technical measure but, beyond that, it has turned out to function as the yard stick to design world's economy and politics.

Published by the Princeton University Press in 2014, this book '*GDP: A Brief but Affectionate History*' written by Diane Coyle is a seminal work that helps understand how GDP has played a pivotal role throughout the last century in reorganizing the global economic and political relations. Cognizant of the multidimensional implications of taking GDP as the sole measure of development, the author broadens readers' horizon on the idea of growth, development and social welfare. The book gains its authenticity not only by providing a consciousness on the discursive power of GDP, but also through historicising the GDP with its subjective and context dependent nature against universalising GDP as the ultimate measure of social welfare.

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Consisting of six chapters excluding introduction, the book aims to provide a critical perspective on the historical rise of GDP as the standard measure of the size of an economy. The first chapter is devoted to the historical emergence, rise and ultimately universalization of GDP from 18<sup>th</sup> century until the first quarter of the 19<sup>th</sup> century. Considering the perpetual wars during those times in Europe, the central concern was to finance warfare, which according to the author is the mother of invention (Coyle, 2014, p. 8). Therefore, a new concept had gained special importance called 'national accounting' that can be applicable to every nation. Commercial societies all over the Europe were being characterized with the new value system based on the Industrial Revolution; thereby, Adam Smith's core arguments on productive and unproductive labour had also contributed much in shaping the intellectual frontiers of national accounts. While the first steps to the construction of GDP were made in the 18<sup>th</sup> century, the adoption of Smithian approach ignored the contribution of the service sector to national income such that it was considered as a huge cost to the economy. The neglect of the service industry and the distinction between productive and unproductive labour had been maintained until the rise of neoclassical economics. 19<sup>th</sup> century witnessed theoretical debates on the rationale for measuring economy by using statistical tools. Ultimately, GDP came to the fore as the universal measure of the size of the economy. After providing an intense debate on the historical rise of GDP, the chapter also deals with the nature of GDP, its components and measurement. The author brings sound criticism about the way certain economic activities are put under the components of GDP including investment, consumption and government spending. Her emphasis is on the subjectivities in counting certain economic activities into GDP. In this sense, a change in the established understanding of GDP measurement, for instance, may present a completely different picture about the economic performance of African countries. The author provides convincing real-world examples to highlight the arbitrary nature of this measure. Based on these arguments, the chapter concludes with the idea that GDP was not originally envisaged to measure social welfare, but rather it functions to measure 'economic output'.

The second chapter focuses on the developments in the evolvement of GDP between 1945 and 1975. In the post-war period, countries were in search of finding an answer to the question about which countries had better economic performance compared to others. According to the author, this concern led to the justification of GDP as the standard measure of national output. However, such a naïve approach strengthened with a political economy perspective on the power relations of the new world order shaped in the wake of the Second World War. In other words, eco-

conomic growth came into prominence not mainly because of the concern for crystalizing every country's economic performance relative to others in the post-war period, but the new world order required an alluring benchmark for redesigning economic and political system in disguise of economic development.

Chapter 3 elaborates on the economic environment of the 1970s in which capitalist system had fallen into a serious production crisis. While the post-war era heralded high growth rates all over the world, serious economic catastrophes such as inflation, unemployment, environmental issues and poverty surfaced at the beginning of 1970s. These problems weakened the confidence in the validity of GDP as the standard measure of the wellbeing of an economy. Some criticism was raised against GDP with some emphasis on social aspect of growth such as education, health, environment and human capacity. 1980s, therefore, brought alternative views on the measurement of social welfare other than GDP.

The criticism towards GDP paved the way for alternative approaches towards economic development. Chapter 4 covers the intellectual debates of 1995-2005 on the right method to measure welfare. The author claims this period as the emergence of a new paradigm, but, in fact, the criticisms during this period were alternative development theories within the same paradigm, not alternative to the existing understanding of mainstream development theory. Despite this, it is still convincing that GDP has evolved to mean in the 21<sup>st</sup> century something that measures production, not welfare. Notwithstanding this, GDP still maintains its leading role in the political arena. Today, policy makers of different economies use growth levels as the sign for increasing prosperity in the society, and hence blur as to how the increase in national income is distributed. Thus, production aspects are superseded against the distributional consequences.

The global financial crisis in 2008 brought back the debates on welfare, distributional justice and development. Since GDP growth rates did not go parallel with the real economic and social conditions of the global world, further objections towards GDP gained momentum. Chapter 6 portrays the socioeconomic atmosphere in the post-crisis period. The author re-examines the orthodox approaches on the measurement of GDP by paying attention to the new issues in modern economies such as the impact of informal economy, the measurement of financial sector's performance, and the imaginary line that divides productive and unproductive labour called 'production boundary'. After that, an intense debate on the distinction between economic output and welfare is introduced to clarify the motivation behind the measurement of the size of economy. A substantial question is posed here that asks why some economic activities such as cooking and childcare are not measured

to add to the economic output. As these activities are a part of productive work that add value and also bring pleasure, time spent on these activities should not be considered as leisure activity but a part of economic work. This debate leads to more fundamental question: “should we be aiming for a measure of enjoyment, or happiness, or well-being, instead of GDP?” (Coyle, 2014, p. 113). Critiques towards the prevailing understanding of GDP respond to this question by incorporating non-economic factors’ impact such as ‘happiness’ into the economic analysis. In this line, the number of alternative indices for measuring welfare and development increased including OECD Better Life Index, World Happiness Index, Human Development Index, and Genuine Progress Index. This orientation reflects how ‘market-oriented thinking’ (Sandel, 2013) gained popularity in the 21<sup>st</sup> century, since everything turned into good in the market that are commensurable and has a price to be exchanged in the market. Happiness advocates, not differently, are active players of such a market-oriented understanding.

The last chapter gives some remarks on the role of GDP in economic performance measurement. The author draws some conclusions by comparing the objections towards GDP. She concludes, for instance, that despite all the drawbacks of this measure of economic growth mentioned throughout the book, GDP is still an essential benchmark for economic performance. This is because only with growth we can take precautions against the potential economic threats (inflation, unemployment, democracy) in the future. Acknowledging that GDP is a flawed measure, the author claims that there is no better alternative to measures how fast the economic output is growing. Therefore, we must appreciate the functional role of GDP. The rest of the chapter consists of some suggestions to economic policy makers such as the need for more surveys by national statistical officers on the impact of informal economy and household economy, the need for an official indicator for sustainability, modernization in the collection of statistics, and new technologies to collect data. The book comes to an end with a contested but not thoroughly debated argument that “GDP growth increasingly ‘underestimates’ increases in wealth” (Coyle, 2014, p. 145).

To conclude, this book constitutes an original attempt at shedding light on the historical rise and transformation of the global measure of economy and the role of GDP in this context. The author places GDP from ahistorical context to something that is historically constructed full of subjectivities and far from objective reality. Reminding that the nature of economy has been evolving dynamically but economic growth still preserves its structure for a long time, this book also speaks to those academicians who persistently use GDP as the standard indicator

for economic performance of countries in their empirical studies. Notwithstanding such achievements and distinctions of the book, this study, on the other hand, falls short of discussing the de-growth literature (see, for instance, Schumacher, 1973; Hirsch, 1977; Rist, 1997; Latouche, 1993; Meadows et al., 2004). While the history of economic growth is extensively portrayed in the book, de-growth studies emerged in the last century as a strong criticism to the orthodox understanding of economic growth could be reckoned. Also, beyond the historical perspective, a political economic analysis of economic growth could be employed in the book by analysing how power relations and economic relations are regulated by the discourse of economic growth. To give an example, countries are classified by using GDP as developed and developing, which, in return, puts developing world into inferior position regardless of their subjective development. Once developing countries are convinced that their economies lag behind the advanced countries' economies, international institutions such as the World Bank and the IMF appear on and stipulate some structural economic programs in order for financial help. However, these policies function mainly to preserve the prevailing center-periphery relations in the international politics. GDP, amid this process, plays a vital role beyond technical implications. Putting aside the mentioned drawbacks, this book is very stimulating in bringing back the distinction between production and distribution, and its societal consequences.

## References

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