Against Gross Domestic Product

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If twenty-first-century America has an idol, a graven image we collectively worship, it is Gross Domestic Product. All discussion about the flourishing of our nation is reduced to GDP, and its increase seen as an ironclad refutation of any who question whether America is, in fact, flourishing. But GDP, as today calculated, is largely fake, disconnected from actual production of value. Worse, flourishing-as-quantity is a destructive way to view our society. It was once a commonplace that the value of very many things, a mother's love or a scarlet sunset, was immense, but unmeasurable. We have forgotten this, to our detriment. To truly make America great again, a crucial first step is dethroning GDP as a measure of our greatness.

Yes, there is some benefit to having in our quiver of analytical tools an aggregate way to view additions to economic value, the production of new goods and services. Think of twenty men and women, who do nothing at all except eat and drink what is at hand. They produce no value; the GDP of their little society is zero. If, however, they begin to produce anything, goods or services, they produce value. How to measure such production has, however, generated different approaches, and the method we use today, while it serves our desire for simple ways of viewing the world, conceals truth in order to serve political ends.

The core measurement decision is what goods and services should count in GDP. Until recently, for hundreds of years, GDP was held to exclude many compensated activities regarded as not actually productive, such as rents. Today, however, GDP is held to encompass all bargained-for exchanges—that is, any exchange with a price, and only exchanges with a price. Thus, if everyone in our twenty-person society takes up farming and raises children, the GDP remains zero, even though a great deal of value, most of all the enormous shared benefit of maintaining and increasing the society itself, is now being created. Only when they start selling things to each other for money is GDP born.

We could spend many pages on the structural flaws in modern calculations of GDP, but let's confine ourselves to a few key examples. Our GDP measurements, seeking to erase any subjective judgment, refuse to recognize that very often a price paid does not result in the creation of value. Thus, a factory which produces new goods but also pollutes the area around it creates less net value than if it did not pollute, or even negative value if the pollution is great, but nevertheless all its output is counted as contributing to GDP. And the pollution further increases rather than decreases GDP, because the costs of cleanup are added to GDP. Equally destructively, if less obviously, service providers such as a Gender Studies professor pollute society and create negative net social value, although all her wages are deemed an increase to GDP.

Along the same lines, many transactions with a price are simply shuffling around existing value while a middleman takes a slice, yet such activities are viewed no differently than growing food or mining metals. Financialization, therefore, to which many of our brightest minds devote themselves, though it can provide some benefits such as liquidity, very often creates zero value, but is still regarded as a highly productive activity, which has become an ever-greater share of America's GDP. Bizarrely, "financial services," excluding real estate, largely slicing-and-dicing manipulations, are now approaching 10% of America's supposed GDP of $27 trillion.

Even when not wholly irrational, the accounting calculations of modern GDP are complex and frequently shift, done pursuant to something of which you have never heard, the "United Nations' System of National Accounts." It purports to calculate GDP as "the amount of value added by production." Much of this is not actually tied to reality, rather it is arbitrary, such as the switch in 2008 from ignoring research and development to including it in GDP, which overnight added 2.5% to our GDP with no actual change in the economy. Of much greater impact is that household work or a mother raising children, lacking a price, is not part of GDP—but a mother paying others to raise her children is part of GDP. Nor is any non-monetary exchange, even between strangers, included. And sometimes prices included in GDP are purely fictional. 6% of GDP, for example, is nonexistent rent payments imputed as made by homeowners living in their own houses, which means GDP rises as housing prices rise, even though no value is being created at any point.

Let's examine California, which we are always told has a GDP greater than that of most nations, a "fact" which is used politically to suggest "Red" states are drains on "Blue" states. If you actually dive into what makes up California's GDP, you will come to a different conclusion, because you will realize that the vast majority of that GDP is payments that do not actually result from the creation of value. 44% is FIRE (finance, insurance, real estate), "professional and business services," or "information." 11% is manufacturing. 11% is "government and government enterprises" (meaning money the government spends as an actor, not transfer payments such as welfare, which are not part of GDP). 8% is education and social services. Wholesale and retail trade is 11%. And collectively, agriculture, construction, transportation, utilities, and mining are 10%. Thus, in California's production, those activities normal people regard colloquially as productive, namely manufacturing and other forms of actual value creation, are around 30% of the total. Maybe 35%, if you optimistically include part of education, "information" and "business services," though the latter is probably mostly transactions costs such as regulatory compliance and plaintiff's lawyers engaging in legal extortion, and most government education is net socially negative (while homeschooling is completely excluded from GDP).

Or, we can look at something that seems like it must involve much value creation—healthcare. After all, everyone needs healthcare, and if you go to the doctor to cure your bunions, or your cancer, this seems like a prototypical exchange of money for value that is created by the doctor. Unfortunately, to analyze healthcare, we have to use the numbers provided to us, having already recognized that those numbers are rotten. But even if the numbers are distorted, the key point is hard to dispute—healthcare spending is minimally actually productive in the real sense, of new value created to raise a society upwards.

Healthcare was 17% of America's GDP in 2022. Other developed countries typically spend between 8% and 11% of their GDP on healthcare (and have lower GDP per capita, meaning that their actual spending per person is usually half, or less than half, of ours). We spend so much on healthcare not because we are healthy, but because we have allowed our system to become a baroque apparatus for the extraction of money by parasites at all levels, such as a handful of giant "pharmacy benefit managers," who annually "earn" revenue of nearly half a trillion dollars (not a misprint) by inserting themselves into almost every purchase of a prescription drug, a valueless extraction growing nearly 10% every year. Even worse, most of these entities, originally set up to protect Americans from insurance companies, have been bought by those same giant insurance companies, who manipulate the purchase of drugs to increase their already-massive profits.

A frequent response is that Americans spend so much money on healthcare because we get better care than other nations, and also that our spending pays for the development of new drugs, which would otherwise not be developed at all, while other countries free-ride on our efforts. But American healthcare outcomes are worse than most or all other developed countries, and R&D for new drugs is less than 2% of healthcare spending. In short, the reality is that Americans get vastly more expensive care, with no consequent benefit, filtered through an opaque and byzantine pricing system, most of it administered by corrupt third-party payers who are incentivized to deny coverage in order to line their pockets.

Probably everyone can offer up several horror stories about his nightmarish experiences with the American healthcare payment system. We all know about the recent attempt by some insurance companies, quickly dropped because they looked bad after the murder of the CEO of United Health, to cut off payment for anesthesia past an arbitrary point in an operation. For a less spectacular example, I recently bought (after insurance denied coverage) for one of my children a prescription tube of tretinoin, a Vitamin A derivative decades old and in the public domain, used for skin blemishes. The retail price of such a tube is about $200. From my own background in drug manufacturing, I am able to tell you that the actual production cost of that tube is less than a dollar, probably around thirty cents. Why does it cost so much? Who really knows? We are only told that there are many steps in the "value chain," so we should just shut up, because value. But we do know that almost every dollar added to GDP as a result of that purchase transaction does not actually represent the creation of value, whatever the insurance myrmidons and the green-eyeshaded clerks behind the calculation of GDP tell us.

Oh, the dollars are real, as real as any dollar is today. The $200 goes into somebody's pocket, or rather into many somebodies, starting with the pharmacy benefit managers. The relationship between monetary velocity, how fast and often a dollar is spent, and GDP is complex, but it may be part of that money is later spent on production of value, and thus legitimately included in GDP. But this is irrelevant, an example of the "broken windows" fallacy. If that $200 had not been spent on a grossly-overpriced basic drug, it would not have been kept under a mattress, but more likely earlier spent as part of a purchase of actual value.

Moreover, totally aside from massively inflated expenses, a huge percentage of healthcare spending is in fact dumb and unnecessary (or should be), a sign of a society in decay, not a flourishing society. Estimates for the percentage of total healthcare spending tied to obesity, for example, range between 20% and 30%. Thus obesity and its consequences are excellent for the GDP, as are all the other destructive byproducts of the modern world we consume which end up harming us, from microplastics to pesticides to seed oils. In our funhouse mirror society, the more disease, especially chronic disease, our nation suffers, the higher our GDP. And when someone warehouses his grandmother in a nursing home, rather than caring for her at home, GDP shoots up even more. Meanwhile, we die early and alone—but not early enough that we can't consume endlessly on the conveyor belt to the crematorium.

We can all feel this rot in our bones. The most visible sign is that all across the nation enormous new healthcare complexes are rising from the ground. In many, if not most, areas of the country, the majority of new major commercial construction is such infrastructure. Construction spending on healthcare has nearly tripled in the past twenty years, and shows no signs of slowing its ascent. For many of our vast and aging Boomer population, and even for the legions of younger people in failing health, these are their new churches. This change is not an upgrade. Despite these new facilities, we are undoubtedly less healthy, far less healthy, to which the response is to lecture us that we are being insufficiently worshipful to the idol "experts" tell us measures all that matters.

In 1955, American GDP (in constant 2022 dollars, although that calculation, like all such calculations over time using government data, is dubious) was $4 trillion and per capita it was $23,000. In 2022, the equivalent figures were $26 trillion and $76,000. But does anyone, anyone at all, think that America as a nation is more flourishing today than it was in 1955? Life expectancy is falling, deaths of despair have exploded, mental illness has risen exponentially. Moreover, nowhere is it possible to really capture, and thus draw attention to, many direct but unquantifiable costs of worshipping GDP. For example, deindustrializing America by shipping industry overseas has been given political cover for thirty years by pointing to the GDP line going up, frustrating political will that might otherwise have been used to keep America strong. Focus on GDP also masks critical problems such as ever-increasing income inequality, that tens of millions of Americans are barely getting by and carrying massive debt, and that huge numbers of young men, traditionally the productive backbone of any society, have simply dropped out of the economy altogether, to game and smoke weed (made legal to increase GDP and pacify the population).

Even when we focus only on purchases of tangible goods and services, how much of our expenditure actually benefits our society? If we are honest, and willing to be judgmental, we have to admit that much of what we purchase does not help our society, or even ourselves. When we buy cheap Chinese crap off Amazon, often shipped directly from China, rarely does it benefit America. Oh, it has a price, and we no doubt bought it feeling that we would be better off with the exchange, but transitory consumerism does not provide societal value, rather it erodes virtue, a truth which used to be a commonplace. For example, the rage for fashionable water bottles, such as Stanley cups, on which approaching a billion dollars was spent last year, is a sign not of value creation, but of mass stupidity. If you have a well, and drink healthy water from it, there is no increase in GDP. Yet the price of every Stanley cup bought, the first or the fiftieth, drops directly into GDP, even if never used once. In every area of life, planned obsolescence and worse, low quality goods, are excellent for GDP. Everyone knows that not only do modern dishwashers not actually wash dishes anywhere as well as they did twenty years ago, but they break within a few years, and repairs are usually so expensive it makes more sense to buy a new dishwasher. And all such spending increases GDP.

The solution is to reject GDP as an important measure, and to be indifferent to both its increase and its decrease. We have all been propagandized for decades that a slowing in the rate of GDP increase is bad, and a drop in GDP is a catastrophe. Why, though? In fact, we would all likely be better off with a much smaller GDP, as currently measured.

To be sure, the reason for a decline in GDP matters. If the Yellowstone super-volcano erupts, that's going to drop GDP precipitously, with no corresponding benefit. But let's take another way that GDP could drop—the mass exit of women from the price-based workforce, to properly raise the children we so desperately need. Probably the biggest single contributor to GDP increase since the 1960s has been the socially-coerced entrance of women to the price-mediated workforce, aided by manipulations such as Betty Friedan's lying tome, *The Feminine Mystique*. Wages paid to women who in the past would have, for much or all of their lives, instead been part of a household economy not captured in GDP (something well-covered in Mary Harrington's *Feminism Against Progress*), are falsely seen as benefitting us all. None of this is accidental, but rather a deliberate political program—measurable production requires the erosion, or the abolition, of both marriage and the family, which absorb resources yet produce what cannot be measured. What our nation has gotten in exchange is mostly unhappiness, divorce, and a massive increase in destructive consumerism.

It might be objected that this is what the people want, because this is a revealed preference, and who are we to question what the people want? But many of our desires have been propagandized into us, and anyway, given the tendency of all men and women to vice, what the people say they want should not be the guiding principle of those who lead a nation. If the GDP were to sharply drop as the result of women leaving the workforce, the net effect, after some readjustment, would likely be greatly positive on our nation.

GDP is emblematic of the emptiness at the heart of modernity, a stupid metric for an age of stupidity. If we care about economic output, which we certainly should to some degree, there are many narrower measures we can use—tangible goods domestically manufactured, oil and gas extracted from the ground, computer chips produced, dollars spent at grocery stores and restaurants. Instead, we cluster fearfully around the feet of a simplistic idol, and pretend that we can thereby measure our flourishing.

Perhaps this is the fate of all empires. No doubt the GDP of the Roman Empire was greater than that of the Roman Republic, but only the historically illiterate believe that the Empire was a more flourishing society than the Republic. Yet our responsibility is to try to renew America, which even today is a unique nation in the history of mankind, still containing great resource reserves, spiritual and natural. Refocusing our energies on real value production, rather than passively accepting a bogus numerical construct engineered to delude us into passivity, is our moral imperative. And with the 250th anniversary of America around the corner, a symbolic date in which every American can feel pride, there is no better time to reject GDP, and to thereby rekindle the energies that built our nation.