



## EconoMag

The Show that demystifies Economics

### Economic Indicators - part 5

#### Alternative Indices

*by Max Farrington and Michael Hirsch ©*

To end this topic we'll have a look at some other interesting economic indicators. First of all, the Soft Domestic Product is an indicator that was created by Vivian Labrie, a Quebec sociologist and member of the collective "Pour un Québec Sans Pauvreté". She says she invented this indicator because the GDP does not count all of a country's wealth, as there are not only tangible and marketed goods and services affecting the economy, but also many non-market services ranging from domestic and volunteer work to fields of traditional and cultural knowledge. There is no officially recognized ranking that takes these things into account, but the Soft Domestic Product is a method of gauging the value of economic impact of many sectors that the GDP rankings ignore.

In the same vein, there is the Gross National Happiness indicator, created by Bhutan's former king, Jigme Singye Wangchuck. The phrase was coined as a signal of commitment to building an economy that is fair and that would serve Bhutan's spiritual Buddhist culture, which views material goods with less importance and relevance. The four pillars of the GNH are: sustainable development, the preservation and promotion of cultural values, the conservation of the natural environment and the establishment of good governance. There have been 5 conventions devoted to the GNH, in Bhutan in 2004 and 2008, in Nova Scotia in 2005, in Thailand in 2007 and at the United Nations in 2011. According to the 2013 rankings the "happiest" countries are Denmark, Norway and Switzerland, while the United Kingdom comes in 22<sup>nd</sup> and France 25<sup>th</sup>. Of course, there are many skeptics who argue that since the GNH is not "countable" it's impossible to accurately calculate.

This brings us to the Happy Planet Index. This is an index of human well-being and environmental impact that was introduced by the New Economics Foundation. The higher the score, the lower the countries ecological footprint. Three criteria are taken into account: subjective life satisfaction, life expectancy at birth and individual ecological footprint. The ranking is led by Costa Rica and followed by Vietnam and Colombia. For the OECD member countries, Israel comes in 15<sup>th</sup>, and the highest ranked European country is Norway in 29<sup>th</sup> place, while France is ranked 50<sup>th</sup>, behind Germany and the United Kingdom, but edging out Italy.

Finally, this brings us to the Global Peace Index, which is used to measure a country's peacefulness, and was developed by The Institute for Economics and Peace. The list was first launched in 2007 and has been published every year since then. There are as many as 22 different criteria; the main results show that peace is correlated to indicators such as

income, education and the level of regional integration. Basically, it shows that the wealthier a country is, then the more peaceful it is, but this, of course, is not a fact. In 2014, Iceland led the ranking and has done so since the creation of the Index. Iceland is followed by Denmark, Austria, New Zealand and Switzerland. Britain comes in 47<sup>th</sup> and France 48<sup>th</sup>, while the United States, the most powerful and wealthiest country in the world, ranks 101<sup>st</sup>. The bottom five countries, all currently embroiled in conflict, are Somalia, Iraq, South Sudan, Afghanistan and Syria.

There are many types of economic and quality-of-life rankings, but we must not forget that they are only indicators and estimates that mostly consider tangible and measurable elements. Even though other indicators such as the Happy Planet Index and the Soft Domestic Product aim to account for non-market factors, they are not taken seriously by the majority of international institutions and organizations.