



David Pilling: Time to Have a Look at Metrics Other Than GDP

By Niu Yuhan

About David Pilling

David Pilling is the Africa editor of the Financial Times. He was previously Asia editor and also formerly Tokyo Bureau Chief for the FT. Over two decades, he has reported on business, economics, and politics from at least 50 countries as a foreign correspondent. His books, *Bending Adversity: Japan and the Art of Survival* and *The Growth Delusion*, have received outstanding reviews around the world.



For years, the development of our society has been judged by a single measure: Gross Domestic Product. However, invented in the manufacturing age as a means of fighting the Depression, the figure was good at measuring physical production but is no longer up to the task of measuring services that dominate modern economies. For example, it is unable to capture the huge advances in science and technology, the phenomenon of knowledge sharing or the hidden value of domestic labour.

Economic growth is a means to an end, not an end in itself. David Pilling criticizes the blind pursuit of economy increase and delves into other possible measures in his latest book *The Growth Delusion*, whose Chinese translation has been published recently. This habit of seeing everything through the prism of economic growth distorts our view of what really matters.

More doesn't always mean better. It is necessary for us to find some supplementary solutions. MIC Magazine had the great pleasure of interviewing David Pilling. He offers not only fascinating insights into economic growth but also his predictions of the post-pandemic world and international trade.

MIC: In your new book, you criticize the blind pursuit of GDP. But since the metrics has been popular for so many years, it should have its own advantages. What are they?

DP: It is a very ingenious measure – all human activity in a single number. Part of its endurance is down to this simplicity. This makes it easy to compare performance, whether with the past or with other countries. The US Federal Reserve said it was one of the best inventions of the twentieth century. It was not wrong.

Economic growth can make the world a better place - up to a point. Very poor countries need to grow to give their citizens agency over their lives: choice over what they do and how they live their lives. However, studies show that happiness, in so far as we can measure it, rises with GDP up to a level of about \$15,000 per capita. Then it tapers off. After that more growth, more income does not lead to more happiness.

MIC: How does the ongoing pandemic verify some of your opinions in your book?

DP: In my book, I talk about how governments

sometimes blindly seek to maximize GDP without understanding the consequences. The ongoing pandemic is interesting in this regard. Governments cannot minimize deaths from coronavirus and maximize economic activity at the same time. The two are in conflict. If you want to impose a lockdown you are seeking to reduce economic activity.

MIC: What will be the possible impact of the coronavirus on the public opinions on GDP?

DP: In fact, more people have come round to the idea that GDP is a pretty limited measure of progress. New Zealand abandoned GDP last year. China won't target GDP this year. For the first time in living memory, governments around the world have deliberately slowed economic activity. Normally, they try to speed it up as much as possible.

It is conceivable that, during extended periods of lockdown, people will reflect on what matters: seeing friends and family, spending less time commuting to the office, maybe even working less hard. But it is equally possible that things will snap back to normal more quickly than we realize. There will be debts to pay and the incentive once again may be to maximize economic growth. One of my biggest concerns is that things will go exactly back to normal and we won't take any lasting lessons from this pandemic.

MIC: You list few metrics other than GDP to measure the development of one country in your book. Which metrics do you think is most important when we resume life and rebuild the post-covid19 world?

DP: Health. Without health (and life) we have nothing. Yet governments spend too little time worrying about this, at least explicitly. Well before the outbreak of Covid-19, life expectancy in the US started falling (albeit very slightly). Perhaps in addition to GDP, governments could measure healthy life expectancy and be judged according to their ability to increase it.

MIC: British government took a relatively laissez-faire attitude at the beginning of pandemic, how do you view the policies made in your own country?

DP: In general, the British response to coronavirus has been poor: too slow and often haphazard. On the economic side, it has been better. So far the government has spent about 10 percent of GDP trying to mitigate the impact of the pandemic on the economy. I think that is the right approach.



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MIC: The pandemic seems make protectionist barriers rise faster. What is your predictions of global trade?

DP: I think the protectionist barriers were going up anyway, largely as a result of the US trade tension with China. The pandemic may accelerate this. However,

if Trump loses in November, US policy towards China might moderate somewhat.

I'm in favour of global trade in that it has been the best way for poor countries to develop out of poverty. At least in theory, free trade is the most efficient

system because it allows countries to specialize in what they are good at.

On the other hand, localism can often make sense in some sectors, such as agriculture. There are many negative externalities in trade – shipping a strawberry across the world means burning fuel and emitting pollution – that are not always accurately accounted for in conventional economic measures.

MIC: Do travel zones and regional trade deals offer a solution?

DP: Travel zones are just a temporary reaction to the pandemic and won't have a lasting impact on trade patterns. It is possible, though, that the world will splinter into regional blocs, particularly in the field of technology with perhaps China, Europe and the US being the principal three regions. The era of consensus that free trade is win-win appears to over, politically if not economically.

MIC: How does the pandemic affect a country with huge export volumes like China?

DP: There are short term and long-term impacts.

In the short term, trade patterns have been disrupted, though less than we might imagine. It is astonishing to me that if I go to a supermarket in London – which was locked down until recently – almost everything is available. That means thousands of items coming from dozens of countries. Somehow those incredibly complex supply chains have managed to stay intact.

In the long term, the bigger test will be political rather than technical. If Huawei is to prosper globally for example, it is not a matter of deciding where to produce most efficiently or how to organize its supply chain. Instead, it is a matter of persuading western governments that it is safe to install.

MIC: What should Chinese foreign trading companies do to take the advantages and overcome the difficulties?

DP: At the moment, led by the US, western governments are tilting in the opposite direction. That is the main challenge. If the west becomes off limits for some Chinese companies – particularly in technology – they will have to concentrate on other markets in Asia, Africa and Latin America.

MIC: Let us talk about Japan, a country that you are very familiar with. Is the current state of Japan's

economy a necessity or a choice?

DP: I suppose the state of all economies is a choice to some extent. I would say that the Japanese economy is pretty healthy – though I'm aware that others would disagree. Putting Covid-19 aside, its per capita growth rates have been on a par with most western economies.

When I wrote *Japan and the Art of Survival*, many people thought I was crazy to suggest that Japan was in reasonably good shape. The accepted view was that it was a disaster. It had "lost" two decades and its population was shrinking. Now I think the consensus view has changed to some extent. Much of the rest of the world has felt pretty unstable in recent years. Japan may appear boring from the outside. But being boring isn't all that bad.

MIC: How could Japan grow faster and make a bigger impact on the global stage?

DP: To do so, it would almost certainly have to have a much more open immigration policy so that it could increase its workforce. It would have to prioritise English and incentivize its companies to move more aggressively overseas. All of this might be possible, but the Japanese have decided otherwise. That's their choice.

MIC: If single pursuit of economic growth cannot make the world a better place, what is your ideal world and how do we achieve that?

DP: I wouldn't want to be prescriptive about what makes a better society. That is for the citizens of individual countries to decide, ideally through a free electoral process. But I think some things are clear. More equal societies are generally more functional than ones with wide disparities of wealth. Societies with open debate are better than ones where there is a monopoly on truth. Societies where people are able to progress based on merit and hard work are fairer than ones where connections or money hold sway. Societies where there is a sense of social solidarity work better in the long run than ones where ruthless individualism is prioritised.

One thing is clear. If humans collectively seek to maximise growth, we will eventually drive ourselves over an environmental cliff. Our societies can keep changing and evolving. I would call that growth. But if by growth we mean continual extraction – and hang the consequences – then that way lies disaster. 