Alternative Indicators and the Question of Managing the Politics of Inclusion and Exclusion

Toufic Haddad

The question of developing a set of alternative economic indicators is both intriguing and complex, as there is no simple way to approach it. What is an indicator after all? In addition, what makes an 'alternative indicator' alternative? Why is it important to understand the relevance of indicators when discussing free trade, economic systems and their implications on politics and society? Without clarity on these aspects, there is a danger that discussion relies upon a set of implied meanings without there being enough precision to for this discussion to be helpful.

For the purposes of this paper, it is helpful to begin by defining our components, before seeing how they have relevance in pursuit of the larger aim of developing discourse and understandings around an alternative economy, and indeed, an alternative politics and society.

An indicator is defined by the Oxford English dictionary as "a thing that indicates the state or level of something." Indicators, by definition, are forms of abstraction from the original, which attempt to capture elements related to its character and the level/ state of aspects incorporated within the original. Indicators can assume characteristics that are quantitative – in so far as they are numerical expressions of quantity. They can also be qualitative, describing a charac-

ter that is not necessarily numerically captured, but often is.

“Economic indicators” are defined as:

[F]orms of economic data, usually of macroeconomic scale, that are used by analysts to interpret current or future investment possibilities or to judge the overall health of an economy. […] Such indicators include but aren’t limited to: the consumer price index (CPI), gross domestic product (GDP), unemployment figures and the price of crude oil etc.[1]

Indicators, both qualitative and quantitative, help us gain an impression of specific states or levels of economic activities and are usually incorporated in forms of statistics. When read in combination with one another, they can be used as *evidence* in building a *narrative* or story about a phenomenon and what is more generally being studied. They also create the means to compare and contrast phenomena, whether between different settings, or over different time periods.

As for the question of what makes something “alternative” - the term suggests something different from the existing, normative, ordinary, dominant or regular.

1- What is an Economic Indicator, Investopedia: https://goo.gl/kBa5cX

In the context of economics, “alternative” suggests significant differences from the dominant or even hegemonic system of economic accumulation.

The current day and age is characterized by modes of economic accumulation and production defined as *capitalist*. Of course, capitalism does not exist in a utopian theoretical manner anywhere, but is *always* embedded in a set of historically determined social relations and actors, which collectively are embedded in global processes and histories. Yet the dominant form of production and economic activity nonetheless remains capitalist in so far as it privileges the power of the market and capital in particular, over the power of labour.

Another defining feature of capitalism is that most workers within this system of accumulation must sell their labour for a fixed wage to the owners of capital in order to live. Capital thus incurs labour costs, but is able to extract and privatize the profits generated by labor through monetary market exchanges of the services or items produced by labor, with the capitalist – not the workers – getting to control profit.

Under contemporary capitalism, the indicators used to capture the defining features of normative capitalist economics

are fairly well-known and have been widely formalized by mainstream economic traditions. These include indicators around economic features related to GDP, revenue, expenses, profits… etc. In fact, on a quarterly basis, states engage in producing two main sets of economic indicators which tend to operate as the consensual indicators purporting to express the condition of a given economy and its given "health." These are the indicators of the "National Accounts," as well as the indicators known as the "Balance of Payments."

According to the European Commission, National Accounts are defined as

[A] system of accounts and balance sheets that provide a broad and integrated framework to describe an economy, whether a region, a country, or a group of countries […] For internationally comparable national accounts, this system needs to be based on common concepts, definitions, classifications and accounting rules, in order to arrive at a consistent, reliable and comparable quantitative description of an economy. National accounts provide systematic and detailed economic data useful for economic analysis to support the development and monitoring of policy-making.[2]

2- National accounts - an overview, Eurostat: https://goo.gl/5Urt4u

The second, main set of economic indicators used are known as the “Balance of Payments,” or BOP. This set of indicators is:

A statement that contains the transactions made by residents of a particular country with the rest of the world for a specific time period. […] It summarizes all payments and receipts by firms, individuals, and the government. The transactions can be both factor payments and transfer payments.[3]

In addition to these sets of indicators, the World Bank compiles and monitors a wide set of other economic indicators that break down economic activity into more sectorial and specific dimensions.[4]

When these sets of mainstream economic indicators are analyzed over time, they also tell a story regarding whether economies and states are said to be getting wealthier, improving, or worsening etc. In this sense, they have a normative applicability to any context, allowing analysts to have a common statistical/ analytical foundation in their approach. Indicators are able to serve this purpose, because there is a consensual opinion within mainstream economics that these basic indicators are objectively derived criteria, and simply capture quantities in a scientific manner, without

3- Balance of Payments, Corporate Finance Institute: https://goo.gl/8a93iS

4- See World Bank indicators: https://goo.gl/Ja5S3g

the interference of subjectivity or politics. This purported unbiased nature of indicators grants them a credibility and universality, allowing their application to all contexts and settings.

Alternative economics and their respective indicators suggest something that is different from this system, yet without specifying how. “Difference” alone does not actually say very much that is helpful, in so far as we previously noted, that capitalism itself is different everywhere it exists, and demonstrates wide variations – from the US, to states like Sweden, Nigeria or China. It is thus more helpful to define what makes “alternative” indicators genuinely alternative – namely, what is it about them that fundamentally differs from capitalist economics, and correspondingly, its specific indicators. Thus, if capitalist systems are defined in terms of their privileging of markets and the dominance of capital over labour, then an alternative system must fundamentally de-prioritize the market and at the very least balance or even subvert the basic relation between capital and labour, in favor of the latter. Moreover, the distribution of profit/wealth within this system must also favor non-privatized/ socialized forms of allocation. There are many such economic traditions, from anarchist and socialist, to systems of hunter gather societies of years past.

From these ideas, a curious question emerges. How might offering an alternative approach in economic models affect the indicators used to characterize this system? Are the existing indicators or the normative approach sufficient, in their supposed objectivity? Or must something else be added or taken away from these indicators? Are indicators themselves tainted by bias, or can they actually stand up to the claim that they are scientific?

Here it is relevant to further explore normative economic indicators and to test whether they are indeed objective or not.

Perhaps the main economic indicators that capitalist states and international financial institutions like the World Bank and the IMF relate to is the indicator of Gross Domestic Product (GDP). GDP as a concept was only invented in the early part of the 20th century, particularly in the context of the economic crises that swept the western capitalist world after the crash of 1929. Economists promoted the idea that if the GDP is on the rise, it indicates economic growth and prosperity, while the opposite is also true. But what does the GDP actually calculate?

The GDP can b*e* defined as the monetary measure of the market value of all the final goods and services produced

in a period of time, often annually or quarterly. This means that if I purchase a car for US$10,000, the national GDP will increase by $US10, 000. If the person I bought the car from takes that money and purchases a television for US$500, the GDP will also go up by another US$500. This simple model expresses how GDP is quantifying only the monetarization and circulation of dollars spent on finished items, but not necessarily the creation of wealth, who benefits, or the nature of the system producing wealth… etc.

Linking GDP to a country's economic condition and prosperity should be seen as problematic when we consider a series of dilemmas: If GDP is only monitoring the gross monetarization of existing market values of all final goods and services produced, it says nothing about the quality of this wealth or the purpose for which it is used. For example, Palestine is known to have many bad roads, filled with potholes, speed bumps, and broken glass, no stoplights… etc. This infrastructural condition tends to create problems for people who drive. It also creates the need to have many car repair shops and tire stores. By the logic inherent within GDP, the more damages along the road, the more repair shops will be needed to fix the effects of those damages, the more money will be circulating, and consequently, the rise of GDP, hence prosperity!

This simple example captures the absurdity in simply deriving positive conclusions about the spending of money and economic health. Clearly there is a need for more a qualitative assessment of the structure of a given economy, that takes into consideration factors like towards what purpose the economic activity takes place, under what conditions, who is benefiting, and at who's expense.

This raises another issue that is helpful for revealing other shortcomings of mainstream indicators. The car that is purchased in our previous example, which leads to an increase in GDP by US$10,000, will produce a certain amount of pollution throughout the course of its lifetime, which includes carbon monoxide, its tire marks, the sound it produces, the wear and tear it might have on country roads, soil and water, and ultimately what would be done with the car itself , once it has reached its end of life and no longer works… etc.

But where are these factors measured or captured in GDP or mainstream economic indicators? They simply are not.

The failure of mainstream economic indicators to recognize externalities like pollution associated with the capitalist mode of production tells us a great deal. While GDP may indeed tell us about the monetary value of gross products

and services, it does not tell us about a range of other things associated with this process that are left out. This reveals the fundamentally political nature of mainstream indicators, in so far as these indicators capture certain phenomena but fail to capture others.

Who determines what is measured and what is not? What is included and what is not? What is deemed important for an economy and what is not? These questions reveal a fundamentally political nature if not of the indicators themselves, but certainly of the use of mainstream indicators, by who and towards what end.

Here it is helpful to note that indicators help to create a kind of visibility to a phenomenon, while also recalling that they play a role in creating a narrative or story. Likewise, lack of an indicator, particularly a qualitative one, often tends to suggest the invisibility of the phenomenon as well as the lack of recognition of a given narrative.

This also reveals that indicators are not scientific statistics existing in platonic isolation from the real world, but are instead profoundly associated with dominant forms of ideology, dominant forms of production, dominant "stories", hence certain interests over others – namely the interests of capital over labour.

Finally, this discussion raises the issue of the actual 'framing' of what an indicator is capturing.

Capitalist modes of production, for example, have established definitions and measurements of labor time and wages, in order to produce a given product or set of services. However, it is important to note that these indicators also have a great deal of assumptions embedded within them. For example, the existence of labor itself pre-supposes certain conditions and realities – namely, the existence of the worker him/herself, their state of health, their capacity… etc. It is not as though labor magically appears from a vacuum.

Yet the elements that go into the creation of labor power also have their costs and need to be acknowledged. For example, it is people, families and communities that engage in biological reproduction and social rearing. Women in households do a good deal of this labour. The feeding, clothing, housing and health care needs of children also need to take place if workers are eventually to be "produced," while their schooling must also be taken account of. These factors are certainly indivisible from producing the necessary workers that engage in production and economic wealth creation. However, these factors – and the costs associated

with them – are almost entirely excluded in mainstream indicators and the mainstream "story" of wealth production. Instead, they are elided and made invisible within the grand calculus of mainstream economics. Moreover, it is worth noting that their exclusion from consideration as part of economic activity allows not only for lack of recognition, but also for de facto exploitation.

Again, this speaks to the politicization of the use of indicators, shedding light on what they emphasize, what they exclude, why and at who's expense.

Alternative Indicator Development?

When seen in this light, the goal of developing an alternative economic order, and consequently alternative indicators, must be seen as a challenge that can find ways to capture and include all the factors that are excluded from the current system of indicators.

While it may still be of value to retain some mainstream economic indicators, it is important to acknowledge that all indicators are merely abstractions, capturing only specific facets of the original. They are designed to simplify, quantify, and qualify our lives for purposes of making life a little easier to manage or organize, at least in principle. This may have its merits at times but must also be recognized to have

its costs, depending on what is taking place of course. Simplifications necessarily entail omission, and the decision of what is elided and what is included is a political, not a scientific one.

Thus, when it comes to the issue of establishing alternative economic indicators, it may be helpful to keep the following in mind: There is a need to be aware that all indicators are simplifications that necessarily include and exclude and have a set of embedded assumptions and politics within them, ones that are not neutral to existing social, political, and class struggles and interests.

Alternative indicators might be developed to attempt to measure aspects that are excluded from existing indicators, and trying to develop indicators for the factors and relations that are excluded from mainstream economic indicators is certainly beneficial on several fronts.

At the same time, we must be honest about the fact that the issue of developing a set of alternative indicators is not a scientific enterprise either, but is equally tinged with its own set of politics – a politics ultimately affiliated with taking a position regarding the social, political and economic struggles at play in society and through the indicators themselves – namely the interests of the oppressed and of labor.

Moreover, if indicators are to be used in telling a story – in this case, a story about the need to develop an alternative non-capitalist or anti-capitalist mode of economic production, then it is to our advantage to stress the costs, victims, inequalities, and injustices embedded in the process of emphasizing particular aspects while overlooking others as the capitalist economic world does.

Alternatively, it is equally important to note that because moral and political positions are not issues that are absolute in all contexts, it becomes equally impossible to establish a full set of alternative economic indicators that are applicable at all times, places, and circumstances.

Indicators ultimately do not tell the story, but people and institutions do. Recognition of this fact means that people should be empowered with as many indicators as possible to tell as full a story as possible while also not being shy about siding with the oppressed, the invisible… etc. The only way to proceed is, therefore, to develop a cautious, detailed, rich assessment of phenomena, morally informed by history, analysis, and theory within a framework that recognizes the inescapability of class, class interests, and the relevant ideological and political systems.