



PROMOTING LEADERSHIP IN THOUGHT
THAT LEADS TO ACTION

THE WEALTH OF NATIONS REVISITED

CADMUS

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SEED IDEAS

Call for United Action

– *Heitor Gurgulino de Souza*

Referendum

The Great Divorce: Economics & Philosophy

Policy for Full Employment

ARTICLES

The Perfect Storm

– *Ian Johnson*

Science and Economics

– *Orio Giarini*

Human Rights, Liberty & Socio-Economic Justice

– *Winston Nagan*

Capital Needs Labor

– *Patrick Liedtke*

Global Prospects for Full Employment

– *Garry Jacobs and Ivo Šlaus*

Grossly Distorted Picture: GDP Still Misleading

– *Hazel Henderson*

Biopolicy- Building a Green Society

– *Agni Vlavianos Arvanitis*

Towards a Global Democratic Revolution

– *Andreas Bummel*

Governance

– *T. Natarajan*

Revolution in Human Affairs

– *Jasjit Singh*

Universal Nuclear Disarmament

– *Manpreet Sethi*

NEWS & DOCUMENTS

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The CADMUS Journal

The acronym of the South-East European Division of The World Academy of Art and Science – SEED – prompted us to initiate a journal devoted to seed ideas - to leadership in thought that leads to action. Cadmus (or Kadmos in Greek and Phoenician mythology) was a son of King Agenor and Queen Telephassa of Tyre, and brother of Cilix, Phoenix and Europa. Cadmus is credited with introducing the original alphabet – the Phoenician alphabet, with “the invention” of agriculture, and with founding the city of Thebes. His marriage with Harmonia represents the symbolic coupling of Eastern learning and Western love of beauty. The youngest son of Cadmus and Harmonia is Illyrius. The city of Zagreb, which is the formal seat of SEED, was once a part of Illyria, a region including what is today referred to as the Western Balkans and even more. Cadmus will be a journal for fresh thinking and new perspectives that integrate knowledge from all fields of science, art and humanities to address real-life issues, inform policy and decision-making, and enhance our collective response to the challenges and opportunities facing the world today.

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The Risk Institute - Istituto del Rischio

Via della Torretta, 10 - 34121 Trieste - Italy / 53 route de Malagnou - 1208 Geneva - Switzerland

Editorial Office: 5, Pudukuvai Sivam St., Venkata Nagar - Pondicherry 605011 - India

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E-mail:

editor@cadmusjournal.org

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Grossly Distorted Picture: GDP Still Misleading*

Hazel Henderson,
President, Ethical Markets Media, USA & Brazil.

1. Beyond GDP: Global Poll

A new global poll across 12 countries reveals that more than two-thirds of people polled think that economic statistics like GDP are an inadequate way of measuring national progress.

The poll finds that 68% believe that health, social and environmental statistics are as important as economic data, and that governments should also use those to measure national progress.

However, the findings also show that support for going 'beyond GDP' has slipped back in some countries since the last time the survey was conducted, in 2007.

Almost 12,000 people across industrialised and developing countries were interviewed for the poll by GlobeScan, in collaboration with Ethical Markets. The findings show that Germans (84% of whom want governments to also focus on health, social and environmental data to measure progress) are the most dissatisfied with GDP, followed by Brazilians (83%), Italians (79%) and Canadians (76%).

In the UK, where Prime Minister David Cameron has an initiative to develop new measures similar to Canada's Index of Wellbeing, 70% favour going beyond GDP in measuring national progress. However, support fell from 80% in 2007.

Falls in support, including India (70% to 37%), Kenya (71% to 50%) and France (86% to 72%), are addressed in the report. Support increased in Canada (65% to 76%), Brazil (69% to 83%) and Germany (71% to 84%).

The telephone and in-person survey of 11,969 adults in 12 countries was conducted between June 24 and September 11 2010 by the international polling firm GlobeScan. Results are considered accurate within +/- 3.0 to +/- 3.5 per cent 19 times out of 20. The poll is part of a 26-country global study.

These findings show that there is very strong public support for going beyond GDP. Yet GDP scorecards are still misleading governments, banks and investors by omitting indicators on future trends and national assets: infrastructure, well-trained workforces and productive ecosystems – all valued at zero in GDP.

* Reprinted with permission from <http://ethicalmarkets.com>

Market predictions of defaults of EU member countries are based on their GDPs – which short-changes their real wealth. Resentment at the unfairness of the bailouts in the EU and USA has emerged as financial markets shifted costs to governments and taxpayers. Many broader indicators now available can help investors and nations find new paths out of austerity and recession, including the UN’s Human Development Index, the Calvert-Henderson Quality of Life Indicators and the Green Transition Scoreboard.

2. GDP Omits Asset Accounts[†]

The GDP results, however revised for the final quarter of 2010, will remain unreliable in charting recovery and progress in Europe, the USA and most other countries. GDP is now a Grossly Distorted Picture! The new survey Beyond GDP, for release by GlobeScan and Ethical Markets (USA and Brazil), polled in Australia, Brazil, Canada, China, France, Germany, India, Italy, Kenya, Russia, the UK and USA, reaffirms the large majorities favoring reform of money-based GDP with many available indicators of health, education, infrastructure, poverty gaps and environmental quality found in their 2007 survey for the European Commission.[‡]

Statistical agencies are still on automatic pilot, grinding out GDP, an inaccurate “rearview mirror,” omitting vital indicators of future trends. The chorus of critics of “GDP fetishism” now point to many more accurate indicators forecasting national wellbeing, sustainability and quality of life. Britain’s David Cameron has ordered his Office of National Statistics to develop new measures by 2012, similar to Canada’s Index of Wellbeing.

The Beyond GDP survey’s implications mirror those of the 2009 Stiglitz-Sen Commission to French President Nicholas Sarkozy, that GDP had become a “fetish” and it was time to move on, as I reported. The Commission made a good start – but did not address the worst aspect of GDP’s distorted picture: the lack of an asset account. This continues GDP’s overstatement of indebtedness, still causing trouble in EU countries, including Ireland, Greece, Portugal, Italy, Spain and recently Belgium – not to mention the USA (with many states facing deficits). So, the Grossly Distorted Picture in current GDP only records levels of public debt for vital infrastructure and public services (police, fire protection, teachers, etc.). Omitted is an asset side to account for valuable taxpayer investments in public infrastructure: transport, ports, railways, schools, etc., many of which last for over 50 years and should be carried on the books, just as they are on corporate balance sheets. Imagine trying to run a company this way!

If GDP included an asset account (as many economists favor [see my “Statisticians of the World United!”]) this would reduce nations’ perceived public debt levels substantially – and so also reduce their interest rate on sovereign bonds! Instead, financial markets and “bond vigilantes” are buying credit default swaps (CDSs), speculating that several EU countries will default and betting on the fate of the euro. This raises interest rates on sovereign bonds and “deficits” even higher – leading to tragic, unnecessary “austerity” cuts.

Reasons this “GDP fetishism” continues include deregulation, the growing influence of money and finance in politics. Special interests and their allies in politics and in ministries

[†] This section was first published on CSRwire Talkback. Available online at <http://csrwiretalkback.tumblr.com>.

[‡] For more information on the survey, see <http://www.globescan.com>.

of finance, economic development, trade, central banks and stock markets grew to dominate governments' policies. They focus on 24-7 global stock and bond markets in mainstream media. Financial players benefit from GDP measures of growth, which ignore future trends, infrastructure, social and environmental costs, while mainstream economists claim fixing GDP is too difficult.

Yet, many companies, CSR and SRI investors have shifted to "triple bottom line" accounting. They and the public in this survey can see real wealth and the bigger picture: well trained work forces, efficient public infrastructure and productive ecosystems in EU and other countries – all counted at zero in GDP!

GDP's macro-economic, money-denominated, over-aggregated methods ignore "externalities"... a relic unnecessary in our Internet age, which enables multi-disciplinary "dashboards" of indicators and metrics. GDP is superseded by these new systemic scorecards (www.calvert-henderson.com and www.greentransitionscoreboard.com) – with websites displaying all vital areas of quality of life and true progress.

Those who are engaged in building democracy in their countries and who are animated with a fresh spirit like in Egypt will have to ask themselves: What purpose does building a democratic nation have if it is embedded into an undemocratic and non-transparent international system? In a globalized world the confinement of democratic participation of citizens to the institutions of the nation-state is almost equivalent to disenfranchisement. True democratic emancipation cannot stop at national borders.

Andreas Bummel, Chair, Committee for a Democratic UN

Politics is the whole of which economics is a part and employment is a small part of the wider domain of economic life. Ushering in a global government generates the power of solving these minor problems. Government is the context that activates the politician. Politicians can cure the ills created by economists. A wider vision of economics solves the problems created by narrow inspiration.

T. Natarajan, President, The Mother's Service Society

The role of labour is crucial for the social cohesion and stability it provides. Threats to financial stability do not exclusively emanate out of capital markets. As the unrest in several Arab countries demonstrate yet again, without social stability there can be no financial stability.

Patrick Leidtke, Director, Geneva Association

Economic thinking is still very largely related to traditional Cartesian (and Newtonian) concepts of science. The notion of equilibrium is not really a concept or an explanation, but rather a tautology, which has been given the value or status of an axiom. Understanding this notion of equilibrium, where supply is equal to demand, is essential because it explains why economic theory has from the beginning always tended to be one-sided...Once we enter real time, uncertainty and disequilibrium become the reference criteria of reality. Introducing the notion of real time into the economics of supply and demand (in modern terms, service based production and consumption) is a radical alternative to the view of the economic process as being based on timeless (instant) equilibrium.

Orio Giarini, Director, The Risk Institute

According to Roosevelt, "necessitous men are not free." The narrow conception of individual freedom founded on private property rights advocated by neoliberalism neglects a much wider, more humane conception of social democracy, freedom from want and human security affirmed by the New Deal, the Atlantic Charter and the UN Charter.

Winston Nagan, Director, Inst. for Human Rights, Peace & Development

A human-centered theory of economy and employment needs to be founded on the realization that human beings – not impersonal principles, market mechanisms, money or technology – are the driving force and central determinants of economic development.

Garry Jacobs & Ivo Šlaus, World Academy of Art & Science Global Employment Project

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Inside This Issue

Our world is headed into a Perfect Storm of an interconnected financial, ecological and social crisis. Almost all forward-looking assessments demonstrate that business as usual and incremental improvements will not be sufficient to take us to a future world blessed by equitable prosperity, safety, security and contentment.

Ian Johnson,
Secretary General of the Club of Rome

The three organizations – WAAS, Club of Rome and the Pugwash Movement – should sincerely join forces and act together, so that we can fully utilize use our collective experience, intellectual capacity and foresight. Together, we will have a much stronger voice to get our good messages out to the world and be listened to by policy makers, parliaments, governments, academics and all societies in general, in both the industrialized and developing economies.

Heitor Gurgulino de Souza,
Former Rector of United Nations University

Decisions on our common future should no longer rest solely on world leaders, who can evade or even obstruct meaningful change. A simultaneous electronic ballot on saving bios is a brilliant opportunity to demonstrate that, as citizens of the world, we can all agree on safeguarding the Earth for the generations to come. By giving priority to individual voices to be heard, the World Referendum can elicit the personal involvement of every citizen in the race to save the environment and help to bridge the gap between the rich and poor.

Agni Vlavianos Arvanitis,
President, Biopolitics International

The greatest global challenge that faces the international community today is that of the current trans-national revolution in human affairs, which in turn is triggered by the combination of three revolutions: a revolution of rising expectations, the information and communications revolution, and a broader industrial-technological revolution.

Jasjit Singh,
Director, Centre for Air Power Strategy

Continued . . .