July 19, 2013, WTE Editor's Headline: "The Real Measure of an Economy"

Coal, shale gas, and petroleum mining are key elements in Wyoming's economy. The health of that economy is measured by its gross domestic product or GDP, which is patterned after national—and global—GDP measurements. Unfortunately, these proxy measurements provide a distorted picture of a state's or a country's income and expenses. In Wyoming as elsewhere, the coal, gas, and oil taken out of the ground does not enter the "minus" side of the ledger. Instead, GDP accounting treats the income from extractions as additions to the state's wealth.

Not only does mining take away the reserves stored in the earth, it also degrades topsoil and water. Mining destroys the vegetation and wildlife the land has nurtured, while water-intensive fracking depletes aquifer and surface water. Worse, shale-gas fluids sometimes migrate into aquifers; for example, abandoned drill holes can serve as chimneys for the upward migration of both drilling fluid and methane.

The costs associated with these destructive practices, and the contaminated air and water in mining-adjacent communities, is blithely ignored. So is the global warming and attendant feedback loops produced by the consumption of the mined resources, like deforestation through beetle kill, desiccation through droughts and wildfires. All these ought to be factored in to arrive at a realistic picture of the costs and benefits—the expenses and the income—produced by mining. Instead, we hear that addressing climate change will hurt the economy. The atmosphere is part of the economy, too—but is it counted as such?

The GDP includes all the money spent in a given amount of time, a big statistical pot of gold. If the pot is bigger than it was in the previous accounting period, we celebrate a booming economy. When it isn't big enough, we claim the economy has weakened.

But how about the "what" of the economy? What exactly goes into the big pot? The taxes collected on cigarettes? Well, yes, these taxes are part of the pot. As the number of smokers continues to grow, no thanks to the industry's marketing, the pot expands, which is considered good. Yet the health costs of smoking impact the economy, diverting millions into health care, diminishing the work force, rendering smokers' families vulnerable to all sorts of ailments. The aim of a medical system should be healthier people, not the sale of more medical services and drugs, but the medical contribution to the economy is based on treatments rather than results.

If we burn less gasoline, buy less stuff, eat out less often, use fewer medical services, we are told the economy suffers. The assumption is that every purchase is beneficial because someone has paid the purchase price. Drugs are purchased. Alcohol and tobacco. Wars are financed, wrecking the lives of troops and destroying whole countries and their environments. All these transactions show up on the "plus" side of the ledger, because GDP equates growth with prosperity. It celebrates the marketing myth that holds, consumption equals happiness. In the last fifty years, U.S. economic output has tripled. Have we achieved any gains in the general public's happiness?

In this scheme of things, to keep the economy humming, people must fall ill. Ergo, the best kids are the ones who eat the most junk food: they'll run up the biggest medical bills—and any money spent on healthcare is "good" because it adds to the pot. Thus, the economy actually engenders the destruction of people and things. Yet economists never evaluate the pot in terms of constructive versus destructive activities. They calculate only that which is transacted through money. Preventive program would go a long way to help ease the treatment burden; instead, projections are that jobs in the medical sector will nearly double during the next thirty years.

Relying on GDP to guide economic policy choices is deeply flawed, knowledgeable economists tell us. Even the man who invented the system in 1937 acknowledged this. Back then, Simon Kuznet warned that the misuse of GDP would render us vulnerable to accounting errors, a form of "willful blindness" that would exacerbate the risks inherent in the elaborate accounting system he had devised.

There ought to be a distinction between quantity and quality of growth, between its costs and its returns. Goals for more growth should specify: More growth of what, and for what? A debate should ensue as to what we are going to add to the pot. The purpose of an economy is not simply to produce more stuff. Stuff is a means, not an end. Yet current modes of economic measurements focus almost entirely on means.

Rex Tillerson, CEO of ExxonMobile, claims that pollution is a small price to pay to keep the economy rolling: "The consequences of a misstep in a well, while large to the immediate people that live around that well, in the great scheme of things are pretty small." Tell that to the ranchers who cannot maintain their cattle or hay fields because their wells have turned poisonous, who live on trucked-in drinking water, who cannot sell their holdings and start afresh someplace else because their land has turned worthless. Even if "a small price to pay," these expenses ought to show up on the "minus" side of the GOP ledger. To do so mandates, of course, acknowledging that these costs are real and legit, something the state government is loath to do. Politicians prefer to perpetuate their own—and their constituents'—willful blindness.

In this they are aided and abetted by the state's corporate clients. "Quarterly capitalism" describes the current focus on short-term profits over long-range planning. When CEOs and investors alike ignore their businesses' impacts on the environment, and when their focus on profits excludes the health and well-being of nearby communities and that of the employees who do the work, they render unattainable any true and long-term growth.