Using Cost-Benefit Analysis to Our Advantage

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Recently I saw a film, "In Pursuit of Honor," about the demise of the horse cavalry as the U.S. Army, following the example of Hitler's legions, shifted from that last relic of centaurs and chivalry to the clanking mechanics of armored warfare ... from men who love their mounts to those who tend noxious metal monsters with wrench and grease gun.

This is not a great film, but it is a good film—especially compared with the "Blown Away" fare that now dominates the screen. For it explores meanings that touch the heart, centered on an ancient alliance between man and beast.

The plot: To prepare for the Panzers we must dump the horses. In the Depression 1930s the destitute peace-time army can't afford to retire them with honor. So a bulldozed trench and machine guns await the faithful steeds. Finally, to stop the slaughter a handful of troopers mutiny and drive the horses to safety.

These men are throwbacks, obstructionists. But, as the film progresses, they do make their point of honor: Because we must shift from flesh to steel does not mean we must also lose our souls.

A few days later I read an article in the October 1995 *Atlantic Monthly,* "If the GDP is Up, Why is America Down?" And this morning, as these quite distinct stimuli marinated in my mind, the film suddenly became a metaphor for the American economy.

The authors of the article—Clifford Cobb, Ted Halstead, and Jonathan Rowe—head up a non-profit public policy outfit in San Francisco called Redefining Progress. They trace the history of economic measurement of the national economy to show that economic indicators, as coalesced in the Gross Domestic Product, are concerned with one thing only—the measurement of monetary transactions. If there is a transaction, whatever its purpose or result, it becomes an additive to the GDP. At any given moment, based on all of these indicators, the economy is either growing or slowing down. This mode of measurement is "objective." No value is placed on any transaction. Shooting horses, therefore, adds to the GDP because the money saved retools factories that build and sell tanks. The cost of brain surgery measures the same way as the cost for dumping hospital garbage off the New Jersey shore. A megabuck multinational merger that puts 10,000 white-collar computer specialists or blue-collar steel workers out of work—thus destroying families and communities and further concentrating wealth—is a plus for the GDP, a contribution to growth.

That is where the objectivity fallacy is exposed. For growth, as valued by economists, is always good—and slow-down, bad. The complexity of applying values to individual transactions is the excuse for valuing only the gross result. But the final gross figure is not really a result. It is an abstraction. The real results are dead horses or syringes and bloody bandages embedded in New Jersey beaches. Or entrepreneurial drug dealers in abandoned cities. Or regional rust belts. Or clear-cut forests. Ad infinitum. (From another source I note a particularly perverse example from California, where the prison industry—including all construction and support functions and multipliers—has emerged as the state's second-largest economic component, coincident with the crash of what was, only yesterday, the finest education system in the nation. But, according to the objective GDP, California is on the uptick.)

American politicians wonder why the country is anxious and upset. The economy is growing, jobs on the increase, stock market up. Things are looking good, they say. But, as the *Atlantic* authors note, this is not the America that Americans experience in real life. The modestly well-off lose ground and fear for their jobs; they worry about the future of their children; they worry about retirement—their pension funds sacked by financial manipulators, or abandoned outright by new owners of merging, disappearing corporations. The same concerns plague public-sector employees, who fear public bankruptcy.

So how to relieve this angst? More growth, of course. That will make the rich richer and provide jobs and economic opportunity for the masses. But what jobs? Prison guard, fast food, minimum wage, sweat shop . . . in a social fabric that rots as we watch? Where 90% of the population is falling—many through dissolving middle-class certainties, with increasing numbers of the unemployable and abandoned plummeting through the last shreds of a safety net now being sheared from its stanchions. And all the while, corporations export decent-pay white- and blue-collar jobs for cheap labor rates beyond the country's borders, or import half-pay computer experts from India and poverty-wage farm workers from Mexico.

Just as dismal is the GDP result in cultural, infrastructural, environmental, and public health matters. Because, in the main, these foundations of civil society and decent life are uncounted in the GDP and are on the outs in today's ideologically driven political climate, we witness an America regressing to ugliness and decay. Education and aesthetics, and public access to them, wither in this climate. Water and air blend with sewage and garbage. Public utilities overload and break in their obsolescence. Greenbelts and parks and recreation are chopped or intruded or privatized because of growth pressures and lack of public monies. All of these things—along with cuts in public health facilities, school lunches, vaccination programs—contribute to mental and physical abuse of real people in their daily lives. A case in point: Child health in America ranks lowest of all industrialized countries. These things simply do not register on the GDP.

The global economy is similarly measured. A recent article in the *Christian Science Monitor* begins: "Investors in most of the world's stock markets . . . feel financially chipper these days. Share prices are reaching new highs, propelled by steady global economic growth, low interest rates, privatization of state-run enterprises . . . and wide-spread political stability." One growth-fund director comments on the condition of international markets: "I just don't see any major problems around the world right now." Yet that same issue, and every other issue of this international newspaper, is filled with stories about the real world that belie such blindered assessments.

So what is the remedy to the perverse view projected by the GDP—a view that converts social loss and environmental tragedy to economic gain, growth, progress? It is, of course, to change the indicators so that monetary transactions that subtract from the social and environmental health of a nation and the world are listed as the debits they really are. Thus, a cost-benefit analysis system that does not hide depletion and pollution under "the accounting thing called 'growth.'" For too long economists have claimed objectivity when in fact they have made "the enormous value judgment that such things as family breakdown and crime, the destruction of farmland and entire species, underemployment and the loss of free time count for nothing in the economic balance." These things are not a big zero, as currently and arbitrarily measured. They are tangible costs measured in our lives every day.

So, as we in the national-park-and-equivalent-preserve business are called upon to convert the values these places represent into cost-benefit terms, let us be creative and introduce honesty into this formula. Cobb, Halstead, and Rowe call for a Genuine Progress Indicator (GPI) that does assign value to family and community life, to oceans and open spaces. To do this we must insist on measuring modes that go beyond dollars, and we must use formats unbound by market prices and presumptions. Rather, we must demonstrate values that provide genuine benefit and progress to individuals and societies. If it, whatever private and public action it may be, makes people and places better off than they are now, that's progress. If a "growth" proposal does the opposite, it is not progress: it is depletion and pollution that uses up the world's social and natural resource capital.

If you can get it, read that article in the October *Atlantic.* It will help you turn cost-benefit analysis into a sword.