The GDP: The Mythological Unicorn of Toxic Finance

Fabrizio Pezzani

Universita Bocconi, Membro Del Consiglio Strategico SDA Bocconi - School of Management, Milano, Italy

Abstract

The economy is a moral and social science not a positive or rational science: this is the great mistake of the financial culture; we can’t measure the human society only with the numbers because we forget its spirit which is fundamental in human decisions. The evidence of the facts, every day, and the complete asymmetry between the fictitious value of finance and social values is clearly and incontrovertibly highlighted showing the profound anomaly of an indicator that is only functional to manipulating reality for the realization of higher interests that have nothing to do with the common good. The fundamental cultural shift is to attribute to finance a value of sacred truth that is non-existent, but still attentive to interests that can determine and create this illusory truth thanks to the Academy that has dressed that truth with a sacred mantle to award prizes to the cultural and fictitious scientific narcissism with too many Nobel prizes awarded to finance because economics is no longer studied. This in total contradiction to Alfred Nobel's wishes that are all too clear in his holographic will with regard to creating a common good. In this way Robert (Bob) Kennedy wrote: “It does not include the beauty of our poetry or the strength of our marriages, the intelligence of our public debate or the integrity of our public officials. It measures neither our wit nor our courage, neither our wisdom nor our learning, neither our compassion nor our devotion to our country, it measures everything in short, except that which makes life worthwhile. And it can tell us everything about America except why we are proud that we are Americans. If this is true here at home, so it is true elsewhere in world.

The Beginning

It was March 18, 1968 when Robert Kennedy spoke at the University of Kansas on the inadequacy of the GDP as an indicator of the well-being of economically developed nations:

“Even if we act to erase material poverty, there is another greater task; it is to confront the poverty of satisfaction - purpose and dignity - that afflicts us all. Too much and for too long, we seemed to have surrendered personal excellence and community values in the mere accumulation of material things. Our Gross National Product, now, is over $800 billion dollars a year, but that Gross National Product - if we judge the United States of America by that - that Gross National Product counts air pollution and cigarette advertising, and ambulances to clear our highways of carnage. It counts special locks for our doors and the jails for the people who break them. It counts the destruction of the redwood and the loss of our natural wonder in chaotic sprawl. It counts napalm and counts nuclear warheads and armored cars for the police to fight the riots in our cities. It counts Whitman's rifle and Speck's knife, and the television programs which glorify violence in order to sell toys to our children. Yet the gross national product does not allow for the health of our children, the quality of their education or the joy of their play. It does not include the beauty of our poetry or the strength of...
our marriages, the intelligence of our public debate or the integrity of our public officials. It measures neither our wit nor our courage, neither our wisdom nor our learning, neither our compassion nor our devotion to our country, it measures everything in short, except that which makes life worthwhile. And it can tell us everything about America except why we are proud that we are Americans. If this is true here at home, so it is true elsewhere in world”[1].

This exact same speech could be presented today. Indeed, the context has severely worsened compared to when he tried to warn the country of the illusion of an indicator that had nothing to do with the common good. As he then stated, “The first sign of tyranny is government’s complicity in privatizing commons for private gain”. This is exactly the case in a country that despite that the GDP has grown, as we are falsely told, is currently in second place in the world for inequality and where a person with such ideas was too dangerous for the interests at play. Three months later, he was killed during his election campaign that would probably have led him to become President of the United States of America. History, as Arthur Schlesinger Jr. wrote, is full of surprises for those who do not know how to read it. He would probably have won against the challenger Richard Nixon, who had been defeated by his brother JFK, and stepped down following the Watergate scandal. Nixon would not have been a bad president, albeit with the limitation of wanting to be independent of strong powers and he too paid the price of his choice. Not even Robert Kennedy could have imagined the future that would emerge and form after him, and how his considerations and expectations were grounded in the facts, his idea of equality betrayed in honour of a GDP that today has no scientific foundation, and even more so than at the time, does not measure anything, since its value is based on a currency that has been separated from the real good to which it had been anchored since 1971 [2].

Money without a real counterpart becomes infinite, unmeasurable, and takes on a conjecture of mythological illusion and because it is infinite, cannot be a measure of the real finite and the incontrovertible evidence. Yet from that moment on, the infinite and unreal currency would be falsely used to measure a finite system, as in the reality in which we live and work [3]. Money has become a form of mythology created by a sovereign state power that thanks to a GDP that similarly to the verity of the mythological unicorn decides the fate of ex-sovereign countries. We find ourselves discussing the growth or not of an indicator of nothingness, half a point or less of GDP, exactly as you would measure the growth of one cm or half a cm of the alicorn of a mythological and non-existent creature. It all began in that terrible year of 1968 and America would from then on have to face the drama of greed, selfishness, and damnation resulting from the loss of the sense of society that with difficulty was constructed after the war [4]. The following graphs clearly show the correlation between social capital and economic capital, and the trend demonstrates that the instability of the human soul is its eternal damnation:

In these graphs showing the correlation between capital stock and economic capital, the turnaround is evident from a positive to a negative trend from the early seventies after the end of the convertibility of the US dollar to gold. Since 1971, with the end of the currency’s convertibility into a real good - the gold exchange standard - economics falsely turned into an exact science, with infinite and totally deregulated finance that dragged us towards today’s global chaos. Currency, illusory debt, systematic market manipulation, and social disquiet exploded, as can be seen in the following graphs:
The destructive shareholder value creation mantra led to the desolating delocalization, destroying manufacturing that was the true foundation of the “American Dream”. Unemployment, inequality, widespread poverty, the pulverization of society brought the country to the brink of collapse and fratricidal wars such as those we are witnessing [5]. The following graphs depict the end of the dream of equality and democracy that occurred in the same period as the end of the gold exchange standard:

Figure 3

thanks to this ‘creating shareholder value’ mantra at the end of the 1980s when delocalisation became the shortest path to achieving maximum profit and the resulting liquidity [6]. The path was opened to a metaphysical monetarism culture by depriving the country of manufacturing on which it had rebuilt its rebirth after the 1929 crisis. But as always, history has its own tempo that we have unlearned to watch and link, and the fire prepared in the sixties exploded in 1968 and changed the destiny of the hopes of the young. At the end of those years, faced with a revolutionary thrust by individuals such as the Kennedys and Martin Luther King, society became afraid of change that was too close to a socialist model. Both King and Robert Kennedy were assassinated only a few months apart, the former in April and the latter in June. On 30 January 1968, the violent Tet Offensive was launched that put an end to the illusory dreams of an easy war as it had been passed off, especially
by General Westmoreland who had not understood or did not feel that he needed to understand who he was facing at the time, thereafter disqualified from command [7]. The clash in Vietnam after Korea and the US defeats represent the lack of historical culture in the country that entrusted everything to technical power, defeated on the social and political front. No one had seriously considered the story of General Nguyen Giap who defeated the French at Dien Bien Phu in 1954, simulating the same strategy in the Tet Offense to mislead the USA command and the Japanese in 1945 in Hanoi. The supposition, the lack of historical and political vision, the absence of true internal creative inspiration are critical elements of the USA, as the last 20 years of foreign policy demonstrate, linked only to the supposition of the technical domain that detaches man from his soul and renders sentiments sterile and aseptic [8]. From there, in the face of student protests, libertarian movements, protests against racism and war, the country turned the page, and those dreams of equal rights for all and equality for minorities, now majorities, swiftly turned towards the oligarchy and the dominion of the monetary and financial economy in social and political life (Once upon a time in America, Socialomics Journal 2017, Fabrizio Pezzani).

The materialistic sociocultural model became the absolute truth and economics changed its DNA, unnaturally tuning into a positive and exact science against history and the evidence of human nature. Man would become economized, a consumable object, and GDP would be the measure of false democracy [9]. In other words, the GDP became the ends and society the means, in this way totally changing the spirit of human nature. As Kennedy said, GDP does not measure anything, or rather, only the dominant interests, but their greed is infinite and unmeasurable.

The history of the GDP presents the great deception of a false culture founded on infinite finance totally detached from the real and finite world, but functional to supranational interests with great and unjustifiable power [10].

If starting from the general definition, GDP (Gross Domestic Product) measures the market value of all goods and all services produced within the borders of a country in a given period of time. The notion of product refers to the goods and services that have a value in a monetary exchange and non-bartering process. The term ‘value’ therefore implies "monetary" value that is expressed and determined by the value attributed to the currency in a given time period. The concept of product does not mean that the product is necessarily sold, but is simply the final or intermediate output of a given production process [11, 12].

It is rather evident that the concept of monetary value is based on the false idea, as we have seen, that currency has a value in itself and relative stability for a spatial and temporal comparison between profoundly different countries and geographical areas due to their history, culture, religion, and type of production activities. These diversities, as we will see, are evident especially between the US - where the market culture prevails - and Europe - where the welfare culture prevails. In the first case [13], the pursuit of profit maximization has led to the financialization of the economy by distorting the composition of GDP with the delocalisation of manufacturing reduced to the minimum and now actually determined by services, while in Europe the culture of the real economy has maintained a high level of manufacturing activity, the only type that generates real wealth, because merely printing infinite money creates only illusions. A comparison with the same unit of measure of profoundly different realities is a serious scientific and cultural error.

The term ‘domestic’ indicates that this variable includes the economic activities within a country. Therefore, the goods and services produced by businesses, workers, and other domestic operators abroad are excluded, while the products made by foreign operators in the country are included. Excluded from GDP are free of charge services or self-consumption. It should also be pointed out that the "monetary value" attributed to production does not account for the ways in which the production processes have generated that value or even its effects in the redistribution of income, and therefore does not take into account the social effects of compensation distortions and damage caused by the absent respect of environmental constraints [14, 15]. In other words, an illusion of growth in GDP in the presence of environmental degradation, increased inequality, concentration of wealth without activities to support social spending, fraudulent behaviours, and so forth. In this sense, Robert Kennedy emphasized that GDP does not measure what human life might be worth, but in this way the uncritical deification of this instrument altered the ends with the means by which its pursuit justifies the global social and moral degradation that is considered "collateral damage".

Finally, the term ‘gross’ indicates that the value of production is gross of amortization or the natural depreciation of the stock of physical capital during
period. This means that to not reduce the capital available to the system, part of the product must be destined for its reintegration. Deducting depreciation from GDP leads to obtaining the NDP (Net Domestic Product).

The evidence of the facts and the complete asymmetry between the fictitious value of finance and social values is clearly and incontrovertibly highlighted by the following charts showing the profound anomaly of an indicator that is only functional to manipulating reality for the realization of higher interests that have nothing to do with the common good. The fundamental cultural shift is to attribute to finance a value of sacred truth that is non-existent, but still attentive to interests that can determine and create this illusory truth thanks to the Academy that has dressed that truth with a sacred mantle to award prizes to the cultural and fictitious scientific narcissism with too many Nobel prizes awarded to finance because economics is no longer studied. This in total contradiction to Alfred Nobel's wishes that are all too clear in his holographic will with regard to creating a common good [16].

The Evidence of the Fact: The GDP Is a Mythological Unicorn of Toxic Game of Finance

Let us consider the most obvious distortions:

GDP in its current measurement highlights the growth of BRIC countries with respect to the US and the G7 States. While US GDP would seem to be growing, in reality it is not, since having delocalised manufacturing abroad there is no real growth but only injections of liquidity through quantitative easing that makes it grow, but GDP is left at a standstill also due to the different composition of GDP and increasing the debt and GDP ratio [17]. These explosive dynamics manifested after 1971 at the end of the gold exchange standard:

As is evident, the activities that contribute to the formation of GDP have changed profoundly. While in the US, the financialization of the real economy reduced the contribution of the real economy to GDP; in other countries this contribution has remained high [18]. The culture of finance enshrined in the maximization of profit logic has led to individual accumulation that has made inequality and social ills explode. The affirmation of the ‘everything now’ found in financereasons in short-term liquidity logic, the

Figure 4

Figure 5
most suitable instrument to satisfy the ends rather than
the real economy that operates in the long term. Finance
in this sense becomes amoral, because those deciding do
not in the least consider the consequences of the decisions
in terms of social effects, which only become collateral
damage for the personal ends pursued, even normalizing
illicit behaviours, as we have amply and dramatically seen.
"The US, from the GDP/debt ratio point of view is bankrupt
with a debt that is four times GDP. Simplifying, one could
compare this to a company with debt that exceeds revenues
four-fold and with a production system that is unable to
change the asymmetry of the economic instability [19, 20].
There are therefore only two options: either redefining the
debt structure because it is not sustainable over the long
term or changing the revenue composition. In other words,
redefining the composition of GDP, but also here this is not
possible in the short term. If it were a private company, the
bankruptcy procedure would already be underway and the
books would have been in the courts for some time.

Thus, the separation of GDP measurement from the
social implications renders it totally useless to understand
the state of happiness or well-being brought about by the
production processes and redistribution of wealth for the
stability and resilience of a society [21]. To recall is that
in the millennial history of man, societies have always
collapsed either for war or class, and it is quite obvious
that a measurement such as the present GDP leads to forms
of social exasperation that result in revolt.

The consequences of the myopia of current GDP
are seen in the degeneration of social systems and the
consequent pathologies both in terms of inequality and
social degradation, and the resultant loss of employment,
growth of poverty, and violent reactions, with acts of
death and weapons loaded with the hate of poverty and
abandonment:

Figure 6

The US that has a high GDP, but which in reality
is at a standstill, as a consequence of fiscal policies has
increased the inequality that is tempered in other countries
by social transfers while in the US these are at a minimum
Social spending would reduce the disruptive process of a cultural model that has reached the end of the line and should be stopped before it explodes uncontrollably in social revolts. The most obvious social pathologies are the following expressed by the social discomfort and the use of psychiatric drugs, suicide, the incarcerated and the rate of homicides, and finally, increasing private debt with absent income:

The reality is quite obvious and in front of our eyes with an extreme degree of danger, but no one wants to see and those who theoretically should have free judgment are enslaved to higher interests, so that both the Academy and the “media” have become mere servile masters that recite from memory and dictation. We are playing with fire and nobody seems to want to understand [23].

In reality, under the thrust of the evidence of the facts, French President Sarkozy called on Stiglitz, Amartya Sen and Fitoussi to create a commission to propose alternatives to the measurement of the degree of socio-economic development based only on GDP. But the dominant interests were still too strong, and thus the “Beyond the GDP” commission vanished in the same way as the justified motivations. However, none of them has since addressed the matter even on their own, and toxic finances have continued to procure victims.

Conclusions: “. The elite must, in various respects, respond to the court of history for the damage done to man's future.”

Perhaps it is time to ask, before it is too late, to what extent a “capitalist finance” model and its manipulated instruments such as GDP, as has been stated over the years, is responsible for the damages that have led to the world’s fate and to what extent the collective responsibilities have not worked by letting themselves be led towards the disorder of unregulated markets [24]. When a cultural model is affirmed and legitimized at the global level by both the Academy and politics, by force and against the scientific evidence demonstrating its unfoundedness, and leading to social dramas that expunge the declarations of universal human rights, we must ask ourselves what has gone wrong. When faced with the declared need to affirm the inalienable rights to be recognized as dignity in terms of freedom, equality, the right to work, healthcare, education, a life that can be lived with pride, a socio-cultural model that has found in finance a dangerous destructive weapon that affirms the right of the few to the detriment of the many, and we find ourselves in front of a human drama. The elite must, in various respects, respond to the court of history for the damage done to man's future. An international community, as the United Nations should be, must justify its own existence, awareness of even transversal responsibilities that have enabled the affirmation of a socio-cultural model that has shown in the facts that its founding principles are against civil coexistence and respect for the rules. Is this cultural model, according to the prescriptions applied to the various dictators, not to be considered a crime against humanity? The control role of the various financial market regulators has been discarded without any reaction or opposition at least in principle. Quite evident is man’s inability to govern him and to bring under his control a power that is likely to overwhelm him if not regulated and oriented towards the common good [25].

Globalization and the period of a cultural model that has detached man from his own intimacy shows that the apparatuses and higher-order institutions, without
exceptions, push man towards losing his organic bonds and form a man who, without roots, lives by the day with principles of absolute arbitrariness in his choices [26]. In this way, man becomes a victim of a power that is becoming increasingly subtle and insinuated in everyday life, becoming a hostage without even realizing it.

It may be an ungovernable power in nature that responds to superior mechanics, but there cannot be an irresponsible power of man and in this sense the role of power exercised by finance cannot be dissociated from the responsibility of how it is used and by those who determined its purpose [27]. Are those we have in charge of public affairs aware of the responsibilities that have been vested in them? Is this accountability towards society reflected in exercising their functions or is totally disregarded? Do those that make vital decisions for the survival of man as a person have the knowledge needed to carry out this activity and the humility to understand the difficulties that being morally irreprehensible imposes? Are our young people educated in this logic or abandoned to the nothingness of a daily life where it seems they cannot identify themselves in behaviours to imitate?

All these questions that Romano Guardini put in various ways in his splendid work “The end of the modern world. Power and Responsibility” published in 1956 are always present to demonstrate that thought, which goes deeper and not just a quick glance at the waves, never belies those who read history in the long times that constitute it. “The greater a man's power, the stronger the temptation to take the shortcut of force” (as we see every day, author’s note) [28, 29, 30]. “The temptation to nullify the individual and his freedom, to ignore both his creative originality and his personal truth; to achieve the desired end simply by force, dismissing what cannot be forced as not worthy of consideration in other words, the temptation to erect a culture on rational and technical foundations alone. To this end, man himself must be considered something "marketable" ("the labor market") something that can be "managed", "laid off or on," "conditioned" from the start to certain ends. Even spiritually man is malleable, once dialectics and mass-suggestion, propaganda and Weltanschauung or historical perspective, even legal testimony are undertaken not with respect for truth, but to support predetermined ends (in turn, subjugated to power, editor’s note)” wrote Guardini [31, 32].

In the end, if our time is the expression of this global drama lived independently of the territories, the beliefs, the different cultures, are we still faced with crimes against human rights for a just existence? It is time to ask ourselves these questions before the final account of history brings to an end the human adventure in this world. If western society is unable to find the right way to respond to the many problems that are strangling it, then from a creative point of view, it has nothing more to say [33, 34].

We can close this reflection as it began with reference to Bob Kennedy's speech at the University of Kansas that ended with the following words, “George Bernard Shaw once wrote [35], "Some people see things as they are and say why?I dream things that never were and say, why not?" So I come here to Kansas to ask for your help. In the difficult five months ahead, before the convention in Chicago, I ask for your help and for your assistance. If you believe that the United States can do better [36, 37, 38]. If you believe that we should change our course of action. If you believe that the United States stands for something here internally as well as elsewhere around the globe, I ask for your help and your assistance and your hand over the period of the next five months. And when we win in November, and when we win in November, and we begin a new period of time for the United States of America - I want the next generation of Americans to look back upon this period and say as they said of Plato: "Joy was in those days, but to live [39]."Thank you very much".

A dream of freedom, equality, solidarity, a sense of common good for all that after a few days would dissolve, as Bob Dylan sang: “The answer, my friend, is blowin’ in the wind”.

Figure 8
References


3. De Honore B (1892) Illusions Perdues [Lost Illusions].
Calmann Levy: Paris, France.


17. Pezzani F (2017) Society the foundation of the economy. We need a sociocultural revolution. Scholar’s Press: Germany.


