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National Accounting: Last-day Mother of Global Idols

By Wilfred Hahn

A big disappointment occurred earlier this year. It was the report that the U.S economy suffered a huge negative setback in the first quarter of 2014. Economic growth (as measured by the concept of Gross Domestic Product, or GDP, for short) purportedly shrank at the rate of minus 2.8% during that period.

Economists were shocked. They had held an optimistic view for 2014. They thought the year had begun auspiciously. Nevertheless, they were proven embarrassingly wrong. But by whom? Just who makes such determinations? What does GDP really measure, and why would anyone care?

Financial observers, investors, the business media and others slave over every twitch and tweet of economic statistics. In the case of GDP, any sign of a pick-up in the pace of growth is usually exuberantly celebrated. A difference of a few tenths of one percent in an estimated growth rate can cause stock and bond markets to soar or fall. The slightest wiggle is treated with great significance. Quoting one commentator, "The quarterly release of GDP statistics is more akin to a religious service than anything resembling a scientific study."[1]

Given this hyper-sensitivity to GDP statistics, you may be surprised to learn that the GDP estimates (and also other economic statistics) are highly unreliable and subjective.

Did you know that Gross Domestic Product is a very modern invention, finding its roots as recently as the 1920s or

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so? How was it possible that humanity was able to survive without such a concept before that time?

Furthermore, did you know that National Accounting made possible the idolatrous macroeconomics and financial wealth worship that has possessed our last-day world today? It makes for an eye-opening story.

GDP: What Is It?

Allow us to explain the significance of GDP.

To be sure, economic statistics have existed for generations, most certainly in the form of business and transactional details. These types of records go back to ancient Babylonian times, often making up the bulk of documents that have been unearthed.

However, never before was there invented a systematic approach to measuring the total value of human activity and output (whatever the definition) in terms of a "money value." Perhaps a silver trade guild may have attempted to record the sales volume of figurines of Artemis (see Acts 19:4-29). But, no one thought to try to estimate the "value added" of this production and to equate its overall contribution to the total money value of Asia Minor's output.

GDP is a concept born out of the invention of national accounting. Going back to its roots, Russia, a communist country, developed national output tables in the 1920s. However, its primary goal was to measure economic efficiency rather than its value in financial terms. There was no concept of "moneyness" of human activity.

Later, beginning in the 1930s, the National Accounts System was first developed in the United States. Simon Kuznets—he the reputed discoverer of the Kuznets Cycle—was one of its influential contributors during that early period.

Crucially, national accounting was then rapidly adopted in other countries. Many countries saw the benefit of such a calculation. It was an era where it was increasingly recognized that economic size (in terms of money GDP) was a form of power and might. By 1952, the United Nations had published a guideline called *A System of National Accounts and Supporting Tables,* thus introducing this standardized system to the entire world. This first guide was 50 pages long. The latest edition has 722.

Today, every country in the world has its economic output measured (even if not by its own statistical agency). Not all nations follow the same exact rules, some of these proving to be quite arbitrary, as we will show shortly. However, transnational organizations such as the OECD (Organization for Economic Cooperation & Development), the International Monetary Fund, United Nations, World Bank and many other global organizations, work to harmonize their presentation of international statistics.

Today, the value of the economic output of the entire world is estimated. For example, according to the World Bank's "current nominal value" definition of Gross National Product, total world economic output in 2013 was estimated at $74.3 trillion expressed in U.S. dollars. This statistic would have very little meaning to most people. Nevertheless, it provides an anchor to the sense of value … the extent of wealth … the possibilities of even greater and unlimited wealth in the world.

Just why was it seen as desirable to measure the output and activity levels of all humanity in terms of money? And, why was this national accounting convention so readily adopted in the first place? This seems to be such an unruly and unscientific concept, given that the value of money itself down through history has been such a volatile and unreliable specie. It is one thing to record human activity; it is another to value it in money terms.

At the beginning, a main purpose of national accounting was to better manage employment levels (responding to the high unemployment levels in the U.S. during the 1930s Great Economic Depression). This would seem to be a worthy motive.

And, of course, all governments are eager to find tools to help them better assess their taxation base. This motivation, too, seemed innocuous and transparent, though perhaps not necessarily eagerly welcomed by the citizenry.

As we will show, the world has since traveled a long way down the slippery slope.

Metaphysical Money & Idols

National accounting over time gave rise to an apparition of Money. (We capitalize this word, as we are wanting to reference an entity with spiritual dimensions and human affections. We do the same for Mammon.)

The GDP figure became a comparative measure between nations and provided the infrastructure that supported new concepts of financial wealth and the shaman arts of macroeconomics. Eventually, the GDP statistic took on the mantle of Mammon … a source and giver of prosperity … the foundation upon which mankind translated its world into smug wealth. Humanity came to see itself as a self-determinant creator of wealth. "The Economy" took on a life of its own.

Today, virtually everyone depends on the concept of "The Economy." For example, a person may say: "If the economy picks up, I might buy a car." In a sense, the concept of "money" GDP has becomes a type of prosperity god.

Viewed technically, national accounting has served as a launch pad to a highly sophisticated, debt-based system of ownership and capital valuation, giving rise and foundation to a massive edifice of wealth, riches and splendor. Seen in the aggregate, this great big measurable pile of wealth—the ups and downs of which are reported in minute-by-minute detail—has become an idol.

Taking a literal, Biblical worldview, we would venture further to say that humanists, intent upon creating an earthly security and self-determination without God, would see national accounting as a necessary and ideal anchor for the materialist agendas mounted against God.

Their perspective is diametrically opposite to that of the Bible. Said King David: "Yours, O Lord, is the greatness

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and the power and the glory and the majesty and the splendor, for everything in heaven and earth is yours. Yours, O Lord, is the kingdom; you are exalted as head over all. Wealth and honor come from you; you are the ruler of all things" (1 Chronicles 29:11-12).

Idol Identification

The Bible has a rather humorous definition of an idol. Essentially, it is anything in which mankind places its hope and faith, which proves itself unreliable and subject to "tottering" and "toppling." There are numerous Bible verses that reflect this perspective, and we have quoted them often.

Says the Bible, an idol is any object of human reliance that is vulnerable to toppling. For example: "A man too poor to present such an offering selects wood that will not rot. He looks for a skilled craftsman to set up an idol that will not topple" (Isaiah 40:20).

Isaiah tells us further: "The craftsman encourages the goldsmith, and he who smooths with the hammer spurs on him who strikes the anvil. He says of the welding, 'It is good.' He nails down the idol so it will not topple" (Isaiah 41:7). Jeremiah, too, made the same observation: "[…] they cut a tree out of the forest, and a craftsman shapes it with his chisel. They adorn it with silver and gold; they fasten it with hammer and nails so it will not totter" (Jeremiah 10:3-4).

We may well ask, why worship something that we ourselves must prevent from toppling with our own hands?

That surely is the case with financial markets. Our society worships soaring financial wealth (as false as most of it may be), but these markets repeatedly "totter" and "topple." We then want policymakers to prop them back up.

Policymakers are working hard to fasten and nail down systemic financial risks. Organizations such as the Bank of International Settlements (BIS), the Financial Stability Board (G20), and the central banks of many countries are rigging and reforming guidelines in the hopes that this will prevent their idols from tottering and toppling over again. On what kind of foundation are these idols perched?

Tottering GDP

At the outset, we stated that national accounting statistics are "highly unreliable." It is a most arbitrary of concepts;

constantly being changed and adjusted. Gross Domestic Product is grossly inaccurate and highly subjective.

Consider these following examples of "reliable" national accounting:

Nine years ago, China decided to update a number of assumptions in its national accounting methodology. As a result, it reported that the money equivalent of the Chinese economy was actually 16.8% larger than they thought. Virtually overnight, the Chinese economy was recognized to be much bigger on the world scene, becoming the 4th largest economy in the world in 2006. A stroke of a pen … and voila … China's GDP was worth hundreds of billions more! Many changes have been made since, another new draft of its accounting methodology being introduced only a few months ago.

While China's 1998 revision counts as one of the more radical examples, the fact is that all countries change their national accounting rules very frequently (including advanced nations). Almost always, these changes serve to amplify the reported growth rate.

In the late 1990s, Japan decided to adopt "hedonistic" accounting principles, similar to the U.S. practice. (Loosely defined, this a technical term that refers to estimates of changes in consumer preference and benefit.) This change substantially boosted the level of reported GDP for Japan. After having experiencing depression-like conditions for a decade or so, this stroke of a pen made comparative economic growth look better for a time. Its politicians will surely have preferred these "rosy-looking" numbers.

Prostitutes Add to GDP

Other examples of changes in the definition of GDP (of which, there seem to be no end), show how politically and morally influenced is this statistic. Recently, Sweden decided to count gambling and prostitution as an activity that is added to the national output. The net result was to modestly pump up the size of this country's GDP.

As of September 2014, all European Union countries are required to provide accounting estimates for trade in sex, drugs and other underground activities. This is part of an overhaul of economic measurements by Eurostat, the European statistics agency. These changes will boost reported GDP. Spain, for example, estimates that including prostitution will add some $20 billion to the size of its economy. (The "Mother of All Prostitutes," clothed in finery and emblematic of wealth, shown in Revelation 17 seemingly finds kinship here.)

Were Italy to include all black market activities and the valued-added of the Mafia, would it then be the second largest European economy behind Germany? This would be one way of improving Italy's high debt-to-GDP ratio! On a serious note, readers will acknowledge the gamesmanship that can apply to national accounting. The rules of its computation are highly confusing.

For example, quoting from a recent book by Diane Coyle,[2] "If you pay someone to mow your lawn and report wages paid, that adds to GDP. If you pay that person under the table, it doesn't. If you pay your maid to clean your house, it adds to GDP. Except if you marry her, then it doesn't. Unless of course she gets access to the

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credit card, in which case spending probably increases GDP dramatically. In England, sex with your wife does not add to GDP, but sex with a prostitute does—even if it is unreported."

Surely the U.S. is above such fickleness. No, the same banality applies.

Rewriting Economic History

Consider next how unreliable are reported GDP statistics even in the largest economy in the world! To illustrate, let us track the GDP report for the third quarter of 1990. The original report claimed SAAR (seasonally adjusted annual rate) growth of 1.8%. That pace would seem reasonably positive, though slow by the standards of that era.

But wait. Extensive revisions followed.

Two years later, the estimate for growth in this quarter was changed to a negative 1.6%. What was first thought to be a positive growth, and was surely received as such by financial markets and voters, had actually been negative by the light of future opinion. In effect, history had been rewritten. But that is not the end of this statistic. It continued to be revised repeatedly. Finally, some ten years later, the growth estimate for this period settled in at a near-zero rate.

Analysts who relied on these "tottering" statistics, would not have been able to draw any reliable conclusions. In fact, they would have been misled. We repeatedly find GDP statistics of 30, 40 or more years ago that are revised. It makes a mockery of economic analysis.

The banality of the statistical games that nations play with their national accounting is plain to see.

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GDP is clearly a Money number, nothing much more. It is rickety, wobbly and misleading.

Nevertheless, Mammon must be supplicated. Financial market participants today continue to treat newly-reported GDP statistics as from the mouth of an oracle.

Points to Ponder

Most certainly, the National Accounts System has its useful applications. Yet, it has served as a launch point for a humanist world that is intent upon globalism; the further capture of all mankind's activities in a financial net; and to fabricate an enticing boom in worldwide financial wealth.

We conclude that the common denominator of all human activity and philosophies is increasingly the metaphysical entity of Money … an idol that is held in great reverence. Unfortunately, much of this "money image" of so-called progress is delusion.

In ancient times, kings and nations did not measure the value of economic output. Rather, they took a census to determine the size of the population and the number of foreigners. The strength of a nation was determined by the number of its people and the size of its army (and its technology)—not economic output.

This is the convention shown in the Old Testament. For example, when God chose Israel it was not because they were many (meaning, strong). "The LORD did not set his affection on you and choose you because you were more numerous than other peoples, for you were the fewest of all peoples" (Deuteronomy 7:7).

What does the Bible say of mankind's self-pride in its powers, economic or otherwise? One situation in King David's life indicates God's disapproval of mankind's confidence in self-reliance. In effect, this is what the idolatry of GDP has become. (Its chief shamans, today's macroeconomists, are thought to conjure up ever greater GDP.) In 1 Chronicles 21 (this account also mentioned in 2 Samuel 24), King David decided to order a census. For no obvious reason, he had wanted to know the strength of Israel. God had not commanded him to do so. Israel was severely punished, 70,000 people succumbing to a plague.

The most intensive Biblical report of transactional statistics for a nation, is likely the account of Solomon's trade dealings found in 1 & 2 Kings and 1 & 2 Chronicles. Reading of the riches and splendor of Solomon's reign, it almost conjures up the fanciful idolatry of our modern-day financial systems that is intertwined with national accounting.

Could that be the reason why the number 666 surfaces in these accounts? (See 1 Kings 10:14 and 2 Chronicles 9:13—"The weight of the gold that Solomon received yearly was 666 talents.") We can only speculate, even though some parallels may be obvious.

In conclusion, it seems doubtful that God has much use for the concept of Gross Domestic Product. He looks to the individual hearts of mankind … the numbers of souls. He cares not for the might, riches and large economies of nations. A poor person is just as valuable to him (if not more so, as Christ came "to proclaim the good news to the poor"—Luke 4:18) as are one or more persons from a nation with a high GDP per capita. He is much more drawn to contrite souls who do not depend on nor place their hope in wealth.

The Psalmist said "[…] though your riches increase, do not set your heart on them" (Psalm 62:10). This admonishment applies to both individuals and nations.

"Command those who are rich in this present world not to be arrogant nor to put their hope in wealth, which is so uncertain, but to put their hope in God, who richly provides us with everything for our enjoyment" (1 Timothy 6:17).

These two verses provide important instructions for Christians. We must not be caught up in the affections of a world smitten with metaphysical and idolatrous Money. MC

ENDNOTES

1 John Mauldin, *Thoughts from the Frontline*, July 20, 2014

2 Diane Coyle, *GDP: A Brief But Affectionate History*