

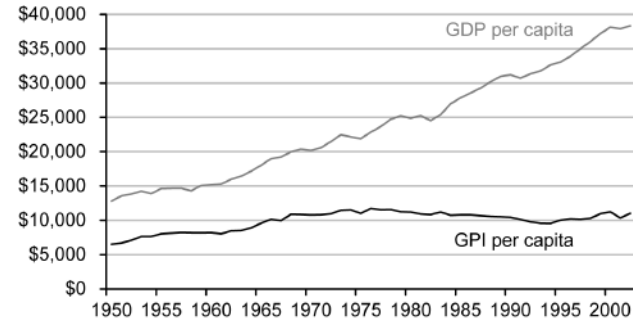
9.2 GDP Is Misleading

THE MARKET KNOWS THE PRICE OF EVERYTHING and the value of nothing. Economists measure our well-being by changes in the value of everything that is bought and sold divided by the population (the per capita gross domestic product, or GDP). But this measure can be misleading. It ignores the value of nonmarket work such as unpaid child care and elder care, which add to overall economic activity. It also ignores the depreciation and destruction of environmental assets such as forests, which should be subtracted.

The Genuine Progress Indicator (GPI) provides an alternative measure of economic well-being. It adds the value of non-market activities such as household and volunteer work and subtracts the costs of pollution, resource depletion, and loss of leisure time.

This indicator paints a very different picture of the amount of progress we've made in recent years. While per capita GDP tripled between 1950 and 2002, per capita GPI has been stagnating for decades.

Gross domestic product and genuine progress indicator, 1950–2002 (in \$2004)



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