



## **Forget the GDP. Some States Have Found a Better Way to Measure Our Progress.**

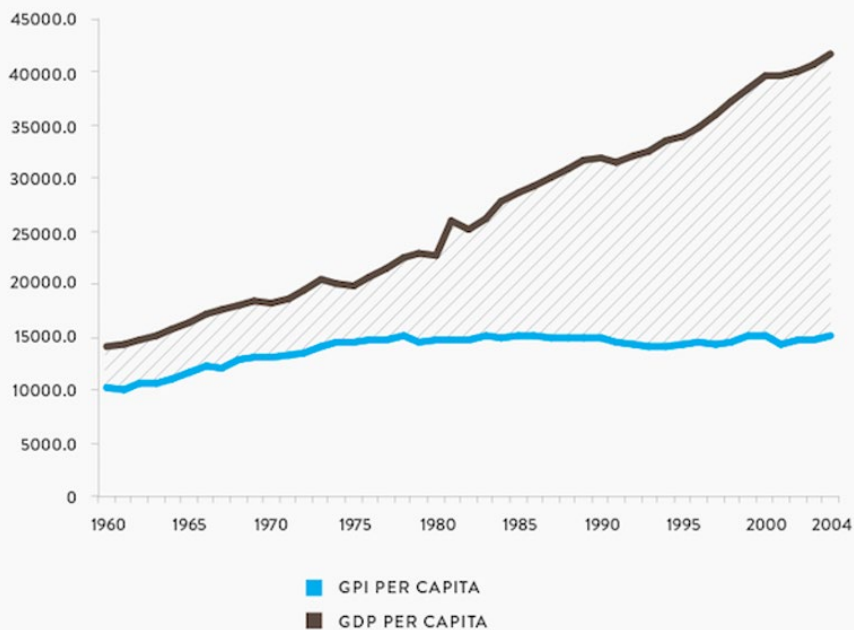
By Lew Daly and Sean McElwee, February 3, 2014, *The New Republic*

In Douglas Adams's *The Hitchhiker's Guide to the Galaxy*, Deep Thought informs Loonquawl that the meaning of life is 42. Loonquawl exclaims, "Is that all you've got to show for seven and a half million years' work?" Deep Thought replies, "I think the problem, to be quite honest with you, is that you've never actually known what the question is." In much the same way, Americans talk about GDP growth without ever wondering what GDP actually measures. We all know the answer, but most of us don't know the question.

GDP, or Gross Domestic Product, measures the market value of all goods produced within a country. It was first developed in the heart of the Great Depression, a context of dramatic declines in economic activity and scarce information about what was happening. When the architect of GDP, Simon Kuznets (who later won the Nobel Prize for this work), presented his first report to Congress, he warned against expecting GDP to answer the most important questions for a country: "The welfare of a nation can scarcely be inferred from a measurement of national income as defined by the GDP." Later, he wrote in *The New Republic*, "goals for 'more' growth should specify of what and for what." To quote Yogi Berra, "If you don't know where you're going, you might not get there." Kuznets's concerns were not heeded, and GDP growth increasingly became the primary standard for measuring a society's economic progress and standard of living.

In the wake of the Great Recession, Americans have become cognizant of the fact that GDP bears little connection to their well-being, and many states are working together to implement [alternative measures](#) that more accurately reflect the progress of human well-being. One such measure is the [Genuine Progress Indicator](#) (GPI), which assesses 26 variables related to economic, social, and environmental progress. Economic indicators include inequality and the cost of unemployment. Environmental indicators include the cost of water pollution, air pollution, climate change, wetlands depletion, forest cover change, and non-renewable energy resources. Social indicators include the value of housework, higher education and volunteer work as well as the cost of commuting and crime.

## GROWTH VS. PROGRESS?



SOURCE: Redefining Progress

Demos

Two states, Maryland and Vermont, have officially adopted GPI (Maryland through administrative action by Governor Martin O’Malley; Vermont through a bill passed by its legislature). Oregon and Washington are also moving toward adoption of the GPI in some form. At a recent national summit for “GPI in the States,” organized by the policy think tank Demos, delegations from 20 states, including researchers, advocates, and public officials, met in Baltimore to [discuss](#) implementing GPI in their states. O’Malley went to the heart of the issue in a powerful [keynote address](#):

To make genuine progress, we must be willing to adopt a more holistic definition of progress itself. To seek an honest assessment of whether our graphs are moving in the right direction—or in the wrong one. A system without feedback eventually fails. And our country, our states, our cities – they are all systems. Life creates the conditions that are conducive to life. Period. Full stop. Perhaps, there is no better description of the intent of GPI. Its purpose is to further the conditions that are conducive to life.

In a recent interview, reflecting on Maryland’s leadership with the GPI, O’Malley noted that, “In drafting a Constitution to form ‘a more perfect union,’ our founding fathers identified justice, tranquility, security, general welfare, and the blessings of liberty as necessary components for achieving that goal.” O’Malley noted the irony that, “more than 200 years later we do not formally take stock of any of these in evaluating our nation’s prosperity.” Already, GPI is influencing the development of new green growth and clean energy programs in Maryland. The state has established new goals that affect GPI but not Gross State Product (GSP, a measure of state economic output), such as reducing infant mortality, cutting greenhouse gas emissions by 25 percent by 2020 and planting more cover crops (crops that improve soil fertility).

Policy development using GPI is in its relative infancy. As with any new measurement framework, there are implementation challenges. The Gund Institute of the University of Vermont recently released an initial set of estimates under the state's new GPI law, and many legislators from both political parties are interested in applying the new metrics to policy. Anthony Pollina, who crafted the legislation to develop Vermont's GPI in 2012, told us, "We make policies the same way every year and we make the same mistakes every year. We cut programs and deny the fact that we are hurting people and undermining their well-being. The GPI can put a halt to that."

Under Governor John Kitzhaber, honored by *Governing Magazine* as a "public official of the year" for his bipartisan achievements, Oregon is developing a ten-year state budget plan which will be integrated with GPI. He told us that many of the Republican concerns in his state aren't adequately measured by GSP, citing growing support for early childhood education as an example. "GPI can get public bipartisan support when it moves from the academic to the practical," he told us. "We have to show the practical applicability." With GPI and related approaches, some public costs can be better understood as smart investments. "By more exclusively connecting the consequences of our budgetary and policy decisions to downstream costs, it becomes more resonant," Kitzhaber argued.

Alternative measures of progress are getting significant traction internationally. The Human Development Index (HDI), which measures life expectancy, literacy and Gross National Income (GNI) per person, is [now widely used](#) and increasingly influential in policy debates, particularly in developing countries. More recently, the United Nations [introduced](#) the Inclusive Wealth Index (IWI) in 2012, which measures human capital and environmental capital as well as physical capital to determine the sustainability of growth.

But the U.S. government has lagged behind states and the international community. Eric Zencey, who was influential in bringing GPI to Vermont, argues that if states begin to use GPI it will put pressure on the federal government to do the same. "GPI is proceeding the way other important movements have, on a state-by-state level," he said. "We don't need all 50 states to adopt it before it becomes clear this needs to be done at the federal level." Senator Bernie Sanders believes that federal action along these lines is critical for our future and said that state-level initiatives are "enormously important," in prodding the federal government into action.

There are signs that the government is moving in that direction, notably the HHS-funded panel [investigating](#) measures of well-being and a recent [report](#) by the Bureau of Economic Analysis that examined the limits of GDP and suggested a review of the national accounting system. The National Research Council has [investigated methods](#) for including environmental values in the national accounting system.

In 1968, Robert Kennedy [said](#) that GNP "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." We ignored those words then, and instead rushed headlong toward an unsustainable future. Only now, nearly half a century later, are we beginning to heed them.