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A new way to define GDP



The government is considering whether the current Gross Domestic Product accurately measures U.S. economic progress. Some analysts feel the way GDP is defined can cause some big problems. Sam Eaton reports.

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TEXT OF STORY

Scott Jagow: The most common definition of a recession is two straight quarters of negative GDP growth. OK, but what exactly is in this Gross Domestic Product? And does it accurately measure our economic progress?

Some say, no, it doesn't. There's a hearing in Washington about it today. Sam Eaton reports from the Marketplace Sustainability Desk.

Sam Eaton: Forty years ago, Senator Robert F. Kennedy argued that the GDP, then called Gross National Product, tells us everything about America, "except that which makes life worthwhile."

President John F. Kennedy: 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.

Even today through the prism of GDP, a patient with cancer or the devastation of Hurricane Katrina is as economically beneficial as new jobs.

Martin Collier of the Glaser Progress Foundation, which pushed for the hearing, says using GDP to measure the nation's progress can also steer it in the wrong direction.

Martin Collier: You are what you measure. You get what you measure. And you fix what you measure.

Collier says by assessing factors like income inequality, pollution and the effectiveness of health care along with GDP, lawmakers would have more incentive to fix those problems.

In Los Angeles, I'm Sam Eaton for Marketplace.

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