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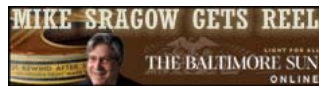
Putting a dollar figure on progress

Maryland, others craft indicators to measure what gross domestic product does not

By Jamie Smith Hopkins, The Baltimore Sun

September 11, 2010

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Measuring economic growth is fairly straightforward work and shows that America's lot has steadily improved over the past seven decades. But with crime, climate change and longer commutes, are we really better off?

Maryland's state government is attempting to answer that question by quantifying in dollars the big influences on our well-being that seemingly defy calculation, such as air quality and traffic congestion. Its new Genuine Progress Indicator is part of a growing movement to stop using gross domestic product, the closely tracked yardstick of goods and services produced, as a simplified stand-in for measuring quality of life.

The country of Bhutan, tucked between India and China, measures "gross national happiness." Our neighbors to the north are rolling out the Canadian Index of Wellbeing. And a public-private effort called the State of the USA is compiling several hundred indicators — on subjects such as health and education — in the hopes that it will revolutionize the way Americans identify and fix problems.

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"You can only manage what you can measure," said Chris Hoenig, the State of the USA's chief executive.


The indexes that boil down a variety of data into one bottom-line number on progress offer a similar — and sobering — message. Once you subtract out the costs of social and environmental ills, it turns out that life hasn't improved nearly as much over the last

generation as economic growth would suggest, the measures claim. Some show quality of life declining even as the economy boomed.


"In the mid-'80s you start seeing this separation between economic activity and social well-being," said Sean McGuire, director of sustainability policies at the Maryland Department of Natural Resources, who pitched the idea of an indicator for the state.

In Maryland, the gulf is fairly wide. The total value of the economy, according to the gross state product: about \$220 billion. The value estimated by the progress indicator: just under \$150 billion.


GDP wasn't intended by its creators to answer the elusive quality-of-life question. Understanding what was happening to the economy seemed pressing enough at the time, with the country in the grips of the Depression. The estimate of national income that economists produced in the 1930s later grew into the GDP as it is today.




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The Commerce Department considers it one of the great inventions of the 20th century, and economist Simon Kuznets won a **Nobel Prize** for his work on it. But even as he was developing it, he warned that the number had limits. "The welfare of a nation can scarcely be inferred from a measurement of national income," he said in 1934.

Nonetheless, GDP has become a powerful symbol. Its growth, or shrinkage, moves markets and presses politicians into action.

McGuire believes a progress measurement has great potential as well — to make policymakers rethink how communities are growing and whether they're getting good value for taxpayer money spent.

"When we invest, what are we really investing in — for the short term or for the long term?" he said.

The state's indicator, launched this year at green.maryland.gov/mdgpi, is modeled after a national yardstick developed by researchers dissatisfied with the GDP. The Maryland version draws on dozens of numbers to put a dollar figure not only to activities with a clear market value — such as personal consumption — but also on the cost of underemployment, the value of volunteering and the like.

GDP treats all spending in the country as a net plus, other than the dollars going to imports, even if the results feel like a loss. So a community where adults drive long hours to work in cars that must frequently be replaced, where every child is in day care and no one has time for vacation would produce much larger GDP — but probably a less happy population — than one with shorter commutes, fewer hours on the job and more time with family.

GDP "doesn't count a lot of things that are really important to us," said Matthias Ruth, director of the University of Maryland's Center for Integrative Environmental Research, which the state enlisted to help put the indicator together.

Even the Bureau of Economic Analysis, which produces the GDP, is exploring ways to get at economic well-being with its other data. But it's not trying to change the headliner figure.

"There could be differences of opinion about whether particular kinds of spending do or do not contribute to well-being," noted Brent R. Moulton, who oversees the agency division that calculates GDP. "There's a reason for wanting to have a measure that is just a pure measure of production. Which isn't to say that other measures don't have their role."

Progress measurements also have critics, some of whom think the exercise is too subjective. What constitutes progress? How can you really measure it?

Maryland's index marries numbers and estimates, incorporating data as disparate as the cost of water pollution and the hours spent watching television.

To put a dollar figure on housework, the Maryland index takes the average wage for housekeepers and multiplies it by an estimate of the hours residents spend on child care and household chores. After rising steadily through 1990, the total value of that collective housework leveled off even as population grew. The progress indicator team saw that as a sign that "more and more members of households have to leave the house in order to make ends meet."

The cost-of-commuting equation takes into account a variety of figures, including miles traveled and the value of lost time. That total has skyrocketed — though it dipped slightly in 2008. People lost jobs in the recession and spent less time on the road.

The upside of arriving at a single, top-line number is that it's easily digestible. But it can potentially oversimplify a complex situation, which is why the State of the USA decided to gather together many figures in its mission to let Americans "assess national progress for themselves."

The website where the data will be published will probably launch in earnest in about a year, Hoenig said. The National Academy of Sciences has been tapped to work on the effort, and a bipartisan commission being appointed by Congress will oversee it.

"The idea is to stimulate more quality civic debate and decision-making about whether we're getting the right results with scarce resources," Hoenig said. "This is part of America's core belief as a society, that we believe in progress."

Lynne Slotek, national project director of the Canadian Index of Wellbeing, which was spearheaded by a private foundation, said the myriad efforts to measure "things that make up a life worth living" should help show how everything is interrelated. The hours people work, the air they breathe and the ways they spend their free time can all affect their health, for instance, which in turn affects their work and their wallets.

"If we can get a handle on that and measure that over time, we could probably cut health care costs significantly," Slotek said.

Kathleen T. Snyder, president of the Maryland Chamber of Commerce, said she would caution against trying to improve quality of life in ways that would put the brakes on job growth. But she thinks the idea of balancing the economy, the environment and society makes a lot of sense.

"They all play into one another," she said.

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Michael at 10:08 AM September 13, 2010
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