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Hey, Big Number, Make Room for the Rest of Us

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For 75 years, the gross domestic product has been the premier means of measuring America's economic vitality. It is a celebrity among statistics, a giant calculator strutting about adding up every bit of paid activity in the 50 states. The annual sum, the famous \$14 trillion economy, marks the United States as the world's most prosperous nation -- measured in cash.

In the absence of any statistic of comparable cachet, however, the G.D.P. is regularly asked to do more than it was designed to do. It measures wealth just fine, but as a stand-in gauge for the nation's overall well-being, this supernumber is less than perfect. Or, as Robert F. Kennedy put it 40 years ago, the G.D.P. "measures everything, in short, except that which makes life worthwhile."

How else to explain that just when many Americans are not feeling so good at all about their circumstances, the gross domestic product is going up? Just last week, markets surged after the government announced that the G.D.P. had risen at an annual rate of 3.3 percent from April to June. But with all the turmoil in the economy, the product almost certainly would be shrinking if it were not restricted to cash transactions.

Mr. Kennedy may have been particularly eloquent about the G.D.P.'s shortcomings but he wasn't alone in his concern. For years now, government analysts have been seeking ways to improve the statistic. Instead of capturing only output, like cars rolling off an assembly line, why not also try to capture -- in an expanded G.D.P. or some parallel indicator -- things like educational attainment or successful child rearing or life expectancy? A half-dozen research groups are also tackling the question. In good times, none of this effort gets much attention, but in times like these, when well-being and the economic indicator are so plainly out of sync, there's plenty of talk of repair.

"We may be in the early stages in the United States of recognizing that the gross domestic product is very misleading and something must be done to get better measures of well-being," said Amartya Sen, a Nobel laureate in economics at Harvard. Professor Sen and Joseph Stiglitz, a Nobel laureate at Columbia, are co-chairmen of a commission recently appointed by Nicolas Sarkozy, the French president, to come up with a better measure for France. While Mr. Sarkozy's goal is to showcase a "quality of life" at odds with the

country's weak G.D.P., the high-profile effort might yield dividends here as well as abroad.

The gross domestic product was invented in the United States during the Depression to measure just how much and how quickly the economy was shrinking and whether President Franklin Roosevelt's New Deal efforts at revival were working. The invention was a success, and other countries gradually adopted the new system.

To this day, the G.D.P. accurately calculates the dollar value that is created, for example, when workers put together steel, wires, rubber and upholstery to make an automobile. The car's value, which is the profit as well as the sum of the labor and the parts, is incorporated into the total. Similarly, a dry cleaner adds value when he cleans and presses a pair of pants. That value, which includes the profit to the dry cleaner as well as the cost of cleaning and pressing, is part of the overall calculation -- and so on across tens of thousands of activities and transactions. The federal Bureau of Economic Analysis adds them up four times a year and announces whether the G.D.P. has risen, as it did last week, or fallen, signaling hard times. (Until the early 1990s, the measure was the gross national product, a slightly higher number that includes income from abroad. It is still calculated but with a delay, in part because of the difficulty getting data from overseas.)

The gross domestic product grew robustly in the post-World War II years. Family incomes also went up, and a rising G.D.P. came to signal well-being as well as expanding economic activity. But these days, while the value added in making cars goes into the total, same as always, the actual cash can be distributed in stock dividends or profits or multimillion-dollar chief executive pay rather than in raises for workers -- the G.D.P. does not reflect the shift in distribution.

And over the last 15 years there has been just such a shift. While the G.D.P. has continued to rise, wages have stagnated, pensions have shrunk or disappeared and income inequality has increased. Other shortcomings have become apparent. The boom in prison construction, for example, has added greatly to the G.D.P., but the damage from the crimes that made the prisons necessary is not subtracted. Neither is environmental damage nor depleted forests, although lumbering shows up in government statistics as value added. So does health care, which is measured by the money spent, not by improvements in people's health. Obesity is on the rise in America, undermining health, but that is not subtracted.

"There are numerous attempts these days to measure happiness and quality of life," said Enrico Giovannini, chief statistician at the Organization for Economic Cooperation and Development who is responsible for recent, well-attended conferences in Europe and the Middle East where the delegates explored measures of well-being that might be incorporated into the G.D.P., or used to supplement it.

Taking into account these factors could also increase the G.D.P. Incorporate unpaid work, like raising children, and the total goes up. Women caring for their children are investing in future skills and productivity. Assign a dollar value to each hour spent in this unpaid

child care -- \$10 an hour, to take one of the amounts the Bureau of Economic Analysis is currently considering in trying to value unpaid child care -- and a new line would exist in the G.D.P. accounts for measuring, in cash, a key industry, parenting.

"One reason we don't have mandated maternity leaves is because the work that women do taking care of children is invisible to economists and policymakers," said Kristen Lewis, co-director of the recently published American Human Development Project. Hers is one of the half-dozen well-being indexes produced in this country outside government. In each case the index would supplement the G.D.P., not replace it.

Within the federal government, an annual "time use" survey, started in 2003, is emerging as a key source of raw material for an altered G.D.P. The Bureau of Labor Statistics has been asking 14,000 people a year how they spend each hour of a designated day. From such data, time spent with children can be tabulated, given a dollar value and inserted into the gross domestic product.

"If you just want to know what is going to happen next in the business cycle, then G.D.P. as it exists today is enough," said Katherine Abraham, a former bureau commissioner, now a University of Maryland economist. "But if you are trying to figure out where we are headed as a society, then this sort of data is a must."

Out of such data might one day come a G.D.P. more in tune with the way people live.