Strategic Perspectives on the Genuine Progress Indicator and Gross Domestic Product

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ABSTRACT
Traditionally, the status of an economy has been measured regarding its real output. The most popular yardstick for this figure is the gross domestic product. Gross Domestic Product, however, does not take into account many more complex elements of economic welfare. Efficient and accurate measurement of the status of an economy is central to furthering economic sustainability. This paper seeks to investigate the advantages and disadvantages of one such well-being measure, the Genuine Progress Indicator, compared to the use of traditional Gross Domestic Product as a measure of economic activity.

KEYWORDS
Economic Sustainability, Economic Welfare, Genuine Progress Indicator, Gross Domestic Product

INTRODUCTION
Traditionally, an economy’s real output determined its status. The most popular yardstick for measuring output is the gross domestic product (GDP). GDP is defined as “the market value of all the final goods and services produced by the economy in a given year” (Rogers, Jalal, & Boyd, 2008, p. 300). End products and services consist of “all currently produced goods and services that are sold through the market but not resold during the current time period” (Gordon, 2009). The adequacy of GDP as a meaningful measure increasingly has been questioned, however, as theories of economic development have evolved to place greater importance on sustainable growth. Economic sustainability theory rejects growth for “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (World Commission on Environment and Development, 1987, p. 8). Furthermore, sustainability theory embraces the interrelatedness of economic, environmental, social, and cultural issues as the basis for effective, sustainable development. This approach has created a need for new tools to measure sustainable economic growth efficiently and accurately. The Genuine Progress Indicator (GPI), has been proposed as a more comprehensive measure of economic activity than GDP. This paper examines the advantages and disadvantages of continuing to use GDP or adopting the GPI as a measure of economic growth.

ADVANTAGES AND DISADVANTAGES OF GDP
GDP developed as an economic indicator during the Great Depression, but subsequently “became the primary standard for measuring a society’s economic progress and standard of
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