

Gdp as a measure of the economy 1791

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GDP As a Measure of the Economy

The GDP is not a sufficient gauge of how the nation's economy is doing. The GDP is a sum of the monetary value of what has been produced in the nation in the past year. The formula for calculating the GDP ignores a large percentage of the activities that transpire in the nation's economy. The formula ignores several things as work done in the home and activities in the underground economy. In general, the GDP includes several items that in reality do not indicate the nation's economic level while excluding a large proportion of the activities of the nation.

The GDP does not include several things that greatly affect the nation's economic standings. The formula does not consider these things simply because they cannot be measured with any accuracy. The work done in the home affects the welfare of the economy because it takes time to care for a house, time that an individual could be working. So in essence, an individual pays themselves to for housework. Also, the underground economy encompasses a considerable amount of the transactions in the economy. This underground economy consists of illicit transactions and the legal ones that cannot be traced. GDP does not include the ecological damage rendered every day by humanity. The pollution caused by everyday life such as trash and the pollution caused by factories and such all damper the economic standings of a nation. While several immeasurable items are left out of the calculation of GDP, a few things are included that do not necessarily need to be. When a disaster strikes a community, the costs of rebuilding are counted in the GDP. They should be counted because it causes work for some but it also is hurting others.

In summation, GDP is not a competent ranking of the nation's economic standings. In the determine of GDP, there are too many items left out of the formula and one too many to give a accurate description of the economy's well-being.