

Standard of living

[Literature](#), [Russian Literature](#)



Standard of living Task: Standard of Living There are several limitations of the national income accounts and how they represent peoples' standards of living. For instance, GDP (Gross Domestic Product) as a parameter of evaluating the economic welfare only gives priority to market activities. This does not reflect on leisure activities such sports and hobbies. Furthermore, the GDP does not depict progresses in the quality of life nor the degradation of the environment quality (McEachern, 2011). In addition, this aspect of measuring the economic welfare does not show the decline of the reserve of natural resources. Similarly, GDP only considers the goods the sold in the markets. However, it disregards other methods of production such as meal preparation, childcare, family laundry, house cleaning and home maintenance and repair. Economists argue that, if this was included in the total GDP, then it would present a true reflection of the economy.

Another demerit of national income accounts is how GDP overlooks off-books production. This involves the underground economy that entails a market activity that is unofficial because of its illegality or because there is evasion of taxes. On that note, economists point that despite the limited records of the underground economy, it has a considerable contribution to the economy. For example, it is approximated that about 10% of the U. S GDP comes from the underground economy. Therefore, when this is added to the total GDP, it amounts to \$1. 5 trillion in 2011. finally, GDP does represent all costs. For instance, automobile pollution and oil spills are not included in the GDP transactions (McEachern, 2011).

Reference

McEachern, W. (2011). *Macroeconomics*. Mason, OH: Cengage Learning.