

Genuine Progress Indicator (GPI)

Concept: Genuine Progress Indicator (GPI)

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Description Economic indicators are a key tool in the development and evaluation of social policy at all levels of power from local councils to international organizations. The way in which they map data reflects the interpretive and value frameworks of those who create and use them. Conventional measures of "progress" utilized by businesses and governments have favoured factors such as output, productivity, and profit. The Genuine Progress Indicator (GPI) is one of the many recent analytical tools that, like the United Nations Human Development Index, offer an implicit critique of these narrow assessments of progress by taking into account both the market and the non-market values that effect social well-being.

While GPI calculations begin with total personal and household expenditure — key figures used to arrive at the Gross Domestic Product (GDP), they depart from the conventional measurement of economic progress by including deductions and additions that adjust for income inequality, unpaid labour, social breakdown, loss of leisure, foreign borrowing, and long-term environmental damage. One major sector accounted for by the GPI is unpaid labour. A large portion of childcare, homecare and volunteerism occurs within family and community networks and does not involve the type of money transactions generally used in the calculation of social wealth. The exclusion of this activity has historically led to both a lack of institutional support for non-profit spheres and the marginalization of the individuals, most often women and the underemployed poor, who perform unpaid labour. The GPI attempts to remedy this by factoring in the estimated cost of these services if they were to be purchased at market rates.

The most commonly used economic indicators focus on aggregate dollar values such as the total of goods and services purchased inside a given economy. Figures for GDP have indicated significant increases in wealth during the last half-century, especially in the advanced capitalist economies. However, this picture of general growth does not correspond to the social conditions lived by a large proportion of the global population. A significant shortcoming of many traditional macroeconomic indicators is the general division of social wealth on a per capita basis. This measurement fails to show how income and assets are distributed within a specific society. The increasing wealth and privilege enjoyed by a relatively small number of people often obscures significant and systematic inequalities. The measurement of income distribution is a key aspect of the GPI which makes it sensitive to larger and persistent trends affecting a given society.

By including crime rates, family breakdown, and leisure time the GPI also makes adjustments for the long-term consequences of harmful patterns of economic growth and income distribution. Activities that damage the environment and deplete natural resources affect future demands on both human and monetary capital. Production and consumption activities that cause social instability and environmental degradation are included in the GPI as significant social costs that require expenditure on the management of social and environmental emergencies, from the growing poverty gap to the escalating crisis of environmental despoliation. For example, the investments made by the Canadian mining company Cambior were a contributing factor to Guyana's economic growth during the 1990s. A 1995 tailings pond failure, however, which resulted in a three billion litre spill of cyanide contaminated water into the Essequibo River, will have definite and significant long-term economic, health, and cultural repercussions that need to be measured in order to meet the requirements of the region.

As the global economy is integrated under an increasingly liberalized trade and regulatory regime in which quantitative market data is utilized as the prime measure of success, tools such as the GPI are increasingly necessary to offer a broad view of social activity that does not equate progress directly with economic growth in itself. By translating non-market costs and benefits into monetary terms it is a tool that allows for a more critical and thorough accounting perspective of the complex interaction of social and economic activity across borders and balance sheets.

The GPI is now widely used by non-profit, governmental and non-governmental researchers to measure the costs and benefits of social production.

Suggested
Reading:

Center for Global, International & Regional Studies. *The UC Atlas of Global Inequality*, www.ucatlas.ucsc.edu/" (accessed 31 July 2006)

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