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A Single Statistic in a Big Data World

A nation's GDP is a monetary measure of a nation's material production, arising in the booming WWII mass-material-production era. It was not designed to be *the* measure of the strength of a nation's economy, but it has established itself as a catch-all metric when discussing large-scale economic strength and changes. Newer competing proposals, such as Stiglitz's "dashboard" or Sen's "capabilities" approach, illustrate that the GDP too rigid to adapt to changes in the economic value—evolving ideas of the worth of inequality and of certain products—causing it to fail in any qualitative or long-term analysis.

In his podcast with WNYC, Stiglitz emphasizes the disparity between changes in GDP and the economy following the Great Recession. There is a "selective" growth in GDP, but the employment rate is historically low, and the majority population feels a great deal of anxiety (Lehrer & Stiglitz, 2019). According to Stiglitz, 91% of the GDP's growth between 2009 and 2012 went to the wealthiest 1%, which shouldn't measure economic success: "the top 1% was feeling a recovery," but the vast majority gain no economic power (disregarding the robotic "potential Pareto optimality" argument (Stanton, 2007)). Lack of economic insight in netting income inspires Stiglitz and Sen's newer "capabilities" approach to measuring economic growth, which combines the analysis of multiple factors indicative of a population's overall economic health, such as freedoms and health (Coyle, 2017). This is more powerful in that it is designed to measure economic *behavior*, albeit compromising objectivity.

But even the GDP's claim to objectivity is faltering, as the boundary between "final market" and "intermediate" product and economic value becomes more ambiguous. The technology market is a contributor and motivator towards a different value-based approach: for example, the BEA doesn't consider advertising a final product, so "a pay-per-view business model to an ad-supported model reduces GDP" (Varian, 2016) — this arguably discounts billions of dollars worth of productivity in the advertising industry. Personal and business computing power are becoming cheaper and more valuable by the day, skewing the productivity-price correspondence. Lastly, the rise of data collection and analysis firms allow for more multifaceted measures than the GDP (such as the Sen-supported HDI) to be developed and globally disseminated.

We're far past a war economy focused on material goods; the changing demographic and technology younger than the GDP and the effects they have on the average consumer's economic behavior form a set of statistics that can more holistically describe economic health and growth.

Works Cited

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