

Teaching Note D for
The Contribution of Catholic Social Thought to
a Macro Economic Principles Course

Macroeconomic Goals and Measures

Measuring Economic Well Being

Assignment on the role of values in Measuring Economic Activity

Readings:

Measuring the Economy: A Primer on GDP and the National Income and Product Accounts,
Bureau of Economic Statistics, September 2007.

http://www.bea.gov/national/pdf/nipa_primer.pdf

Charles Clark and Catherine Kavanagh, “Progress, Values and Economic Indicators” in
Progress, Values and Public Policy, edited by Brigid Reynolds and Sean Healy, (Dublin: CORI)
1996, pp. 60-92.

Genuine Progress Indicator:

<http://www.rprogress.org/publications/2007/GPI%202006.pdf>

Economic Justice for all, Chapter 2, by USCCB:
http://www.osjspm.org/economic_justice_for_all.aspx

Based on the above readings, answer the following questions.

1. Looking at official measures of aggregate economic activity, such as Gross Domestic Product, work backwards to some of the values that underlie the choices that were made on what to include.

Since GDP measures production of goods and services, it reflects values that these are important. Most philosophical systems (but not those wacky Albigensesians) see considerable value in material goods, as does the Catholic perspective, as they goods come ultimately from God's act of creation. What, however, is left out? This is discussed in the reading "Progress. Values and Economic indicators".

2. The *Genuine Progress Indicator* starts with GDP but then makes additions and subtractions. What are the values they are using in their measure of economic activity?

The group that created the GPI, Redefining Progress, central concern is accurately valuing the environment so that better public policy choices are made. As many environmental goods, like clean air and water, do not have clearly defined property rights, the use of these “free goods” gets excluded from economic statistics of aggregate activity and well-being. They value the environment and thus have figured out a way to include it in measuring economic performance. They also add some social concerns (like time commuting, break-up of the family, crime) and add/subtract to account for these.

3. In Chapter 2 of *Economic Justice for All* the US Bishops clearly state the values upon which a just economy needs to be constructed. Based on these values, what would you add to or subtract from the Gross Domestic Product? (Some of these might also overlap with the values in questions 1 and 2).

Looking at the principles of CST you can see that some would affect how we measure economic well being, while others would be more difficult. The principle of human dignity might suggest something like the UN human development Index. The CST idea of the common good however refers to conditions and not something like aggregate output. However, the principles of the universal destination of Goods and the Option for the poor suggest that measures of income distribution and poverty rates would be important for a CST index of well being. Note that the GPI does make an adjustment for income distribution. Both measures of income distribution and poverty thresholds are not clear cut issues and there is considerable debate as to how to best define and measure these phenomena. Discussing the various ways to construct poverty lines I think is a good way to see how values influence such decisions, and to show that these issues are rarely black and white and good people often disagree on them.