



When calculating GDP we add production of "goods" as well as "bads"

➡ Expenses to treat lung disease, addiction, diabetes, obesity added to GDP.

 Expenses to clean up an oil spill **add** to GDP...

 Sales of cigarettes and other addictive drugs **add** to GDP

 Facebook sales of user profiles added to GDP

 Sales of sugar/coffee loaded drinks **add** to GDP

 Production and sale of finished goods **add** to GDP



 Purchased bombs to be dropped in an enemy city **add** to GDP

Higher GDP levels achieved in this way do not represent an **improvement** in the well being of consumers, quite the contrary they represent a **decline** in welfare.

Limitations of GDP

# Limitations of GDP

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- ◆ Expenses to treat lung disease, addiction, diabetes, obesity **add** to GDP...
- ◆ Expenses to clean up an oil spill **add** to GDP...
- ◆ Sales of cigarettes and other addictive drugs **add** to GDP
- ◆ Facebook sales of user profiles **add** to GDP
- ◆ Sales of sugar/caffeine loaded drinks **add** to GDP
- ◆ Production and sale of misinformation **add** to GDP
- ◆ Purchase of bombs to be dropped in an enemy city **add** to GDP

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GDP  
Millions  
of Dollars

1	 United States	28,781,083
2	 China	18,532,633
3	 Germany	4,591,100
4	 Japan	4,110,452
5	 India	3,937,011
6	 United Kingdom	3,495,261
7	 France	3,130,014
8	 Brazil	2,331,391
9	 Italy	2,328,028
10	 Canada	2,242,182
11	 Russia	2,056,844
12	 Mexico	2,017,025
13	 Australia	1,790,348
14	 South Korea	1,760,947
15	 Spain	1,647,114
16	 Indonesia	1,475,690