# Taking the “Gross” Out of GDP and Adding ISEW

**Description:** Gross National Product (GDP) is the common global metric for measuring economic growth, but it does not include the costs of development. The Index of Sustainable Economic Welfare (ISEW) seeks to add the costs of achieving GDP to reflect the social and environmental harm that growth incurs. The ultimate goal is to achieve a Steady State Economy, defined as a state of dynamic stability in which development is balanced with the positive and negative impacts that growth causes. The ISEW calculation begins with GDP and to that is added and subtracted all the factors reflecting the true impact on human lives and the environment. The ISEW is more complex which has slowed its adoption on a global basis. However, it has critics that believe it is too subjective. The long-term trend is increased adoption on a country-by-country basis which could eventually lead to its recognition as the global standard.

**Quiz**

1. ISEW supporters want to move away from GDP as the standard economic measurement because:

a. There is no standard formula for calculating GDP

b. GDP measures the benefits of growth but ignores the costs to human well-being

c. GDP is subject to manipulation which makes it meaningless

d. GDP is too subjective

1. Some economists believe the world’s response to climate change has been slow because:
2. Reliance on GDP has led to government policy decisions being out of alignment with environmental sustainability
3. Climate change deniers exceed climate change acceptors
4. Climate change impacts each country differently, although it impacts the world in general, so responding requires too much complexity
5. GDP calculations already take social and environmental indicators into account
6. The gap between GDP and sustainable economic welfare is due to:
7. Welfare reductions
8. Increasing income inequality
9. Stagnation in the value of unpaid household labor
10. All of the above
11. Which statement best describes defensive expenditures:
12. GDP does not consider defensive expenditures as contributing to human welfare
13. GDP and ISEW each consider defensive expenditures as costs to social and environmental welfare
14. GDP considers defensive expenditures as a positive adding to human welfare, and ISEW considers them a cost
15. Neither GDP nor ISEW is concerned with defensive expenditures
16. Which statement is true about the Steady State Economy:
17. It is an economy in which the population and per capita consumption stabilize
18. It is a stagnant economy and not defined by dynamic equilibrium
19. It is not a green economy so harmful in the long term to people and the environment
20. Development and overconsumption are still likely to occur so it is not worth pursuing
21. Which statement is false about the role of green building and green infrastructure in achieving a Steady State Economy and the ISEW calculation:
22. Green building/infrastructure can provide significant value to communities
23. Green building/infrastructure reduces environmental damage costs
24. Green building/infrastructure can increase non-defensive public expenditures
25. Green building/infrastructure will not reduce negative health outcomes after an environmental event like flooding
26. Critics of the ISEW say:
27. It does not measure economic stability
28. Requires too many subjective assumptions concerning calculation elements
29. A and B
30. A

**Answer Key:**

1. **B**
2. **A**
3. **D**
4. **C**
5. **A**
6. **D**
7. **C**