# Gross Domestic Product (GDP) An indicator of a countrys prosperity

The Gross Domestic Product (GDP) reflects the **value of all goods and services** produced in a year within an economy's national borders as a result of paid work. A rise in GDP (expressed as a percentage) is described as economic growth.

If the economy grows, then people also have **more income** at their disposal. What is more, growth results in a **greater supply** of products and services for consumers to choose from. Accordingly, GDP growth is an expression of increasing prosperity.

GDP as an indicator was developed in the 1930s, and has since been used worldwide. In Germany, the GDP is calculated by the Federal Office of Statistics on the basis of a wide range of data and surveys from e.g. statistics offices in the country's different States, the Federal Bank, the Employment Office, the Tax Office, and so on.

The countries with the **highest GDP in the world** are the US, China, Japan and Germany; in last place on this list is the island state of Tuvalu. To enable a comparison of prosperity across societies, it is customary to express **GDP as a per capita figure**, i.e. divided by the number of the country's inhabitants. The countries with the highest per capita GDP are Luxembourg, Norway, Qatar and Switzerland; the lowest belongs to the Central African Republic (as of 2013).

To date, GDP is the most important economic indicator, serving as a benchmark for politics and economy.

## Gross Domestic Product (GDP) criticism and alternatives

Gross Domestic Product (GDP) has for a long time been intensely criticised for being highly unsuitable as an indicator of prosperity or quality of life in a given country. One problem is that it does not only measure those goods and services which actually improve people's quality of life. For example, a car crash has a positive effect on GDP. Spending on the deployment of fire services and police, the cost of repairs or purchase of a new car, and care for injured victims all contribute to a higher GDP. However, neither prosperity or quality of life are increased by a car accident – quite the opposite, in fact. Destructive events such as wars, accidents or natural disasters also positively influence GDP. Damage to nature, people or animals is ignored by GDP, as is unequal distribution of wealth.

What is more, GDP only measures paid work. Repairing a friend's broken computer, baking a cake using apples one has picked oneself or spending time with one's children and friends are not taken into account by GDP, as no money changes hands. Nonetheless, such activities play an important part in our quality of life.

In other words, GDP is no longer even remotely suitable as a contemporary indicator of the quality of life enjoyed by a country's inhabitants. It is time to look for new indicators which take into account a good life and sustainable development, and to put these goals at the top of the political, economic and social agenda.

***Sources:***

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