

## [What's GDP got to do with it?](#) [1]

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Bryan Caplan recently discussed [the nature of GDP](#) [3], and the problems with a lot of what it includes:

- 1. Some "output" is actually destructive. At minimum, the national "defense" of the bad countries you think justifies the national defense of all the other countries.*
- 2. Some "output" is wasted. At minimum, the marginal health spending that fails to improve health.*
- 3. Some "output" doesn't really do what consumers think it does. At minimum, astrology. . . .*

*Coercive support is often a credible symptom of pseudo-output: If the product is really so great, why won't people spend their own money on it?*

*Once you start passing output through these filters, the world seems full of pseudo-output. Lots of military, health, and education spending don't pass muster. Neither does a lot of finance. Or legal services. In fact, it's arguably easier to name the main categories of "output" that aren't fake. Goods with clear physical properties quickly come to mind.*

Of the "non-fake" industries, he includes physical goods like food and transport, and non-physical things like entertainment ? people are not mistaken in finding something entertaining or not entertaining.

In listing some problems with GDP, Caplan might have added the silly quirk when a woman marries her butler and he starts doing the housework for free. Other things being equal, the country's GDP goes down, but that doesn't mean something has gotten worse. Caplan handily points out some of the many times when rises GDP aren't much to sing about.

Yet I still use GDP, and I guess Caplan does too. There's no better measure of "people getting stuff" that I know of, and that's the best thing I think economists can hope to measure with any degree of accuracy. What posts like Caplan's remind us is that GDP is just an imperfect way of grasping around what we're *really* interested in measuring.

When people ? especially politicians ? treat GDP as the end-goal, they've misunderstood what the point of GDP is. Once you make that misunderstanding, you start asking questions like "how do we boost GDP in a recession?", instead of wondering why GDP is shrinking in the first place, whether that contraction might be unavoidable, and what else is going on beyond the surface. And if we're asking the wrong questions, [no wonder we're getting the wrong answers](#) [4].

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