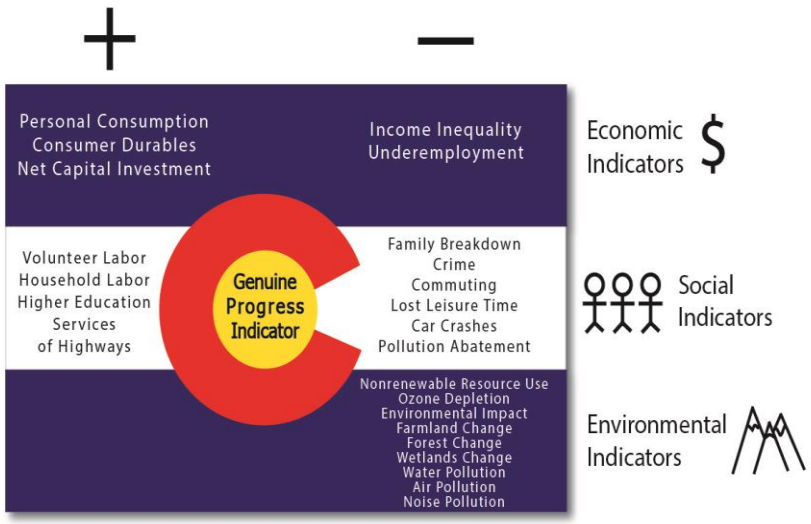
The Colorado Genuine Progress Indicator

The Colorado Genuine Progress Indicator (CO-GPI) is an alternative measure of economic well-being. It accounts for the many flaws of the standard GDP accounting framework. The CO-GPI is an objective, monetized metric that calculates economic progress based off of 24 economic, social, and environmental indicators that either add or subtract from Colorado's overall economic progress.



Economic, social and environmental components of CO-GPI
The plus and minus signs denote whether the indicator makes a positive or negative contribution to GPI

Gross Domestic Product (GDP) vs Genuine Progress Indicator (GPI)

If you were attempting to see how successful a business is, you wouldn't look only at gross revenues. You'd also look at expenses, things on the negative side of the ledger like payroll, capital costs, insurance, utilities and debt service. And if you were taking a smart look, you wouldn't just examine the things with obvious dollar amounts attached to them. You'd also attempt to measure things that were less visible but which came with real costs attached, things like lost opportunity costs from certain business decisions that were made or not made.

In the same way, when you look at the economic well-being of a state, you can't just look at the sum total of all economic transactions as the measure of how well off its residents are. But that's basically what GDP, does.

Why GDP is a bad metric of economic well-being:

In the eyes of GDP, all money spent enhances well-being which means.....

- Money spent to rebuild houses destroyed by wildfires is a good thing.
- Health expenses to deal with negative effects of air pollution: also a good thing
- Money to repair damage from car crashes: good thing!

Trends in Colorado's Economic Well-being Since 1960

Improving well-being

- Personal consumption went up
- Air pollution went down
- Car crashes went down
- Crime went down
- Higher education levels went up

Declining well-being

- Income inequality went up
- Underemployment went up
- Time available for leisure and family went down
- Money and time spent commuting went up
- Farmland acreage went down

Colorado's gains and losses in monetary terms

In 2011 Colorado well-being was enhanced by:

2.3 billion in volunteer work
13.3 billion in value from higher education
26.8 billion in value from unpaid household work

But Colorado was hurt by:

1 billion in costs from air pollution
12 billion in costs from overwork
7.1 billion in commuting costs
8 billion in underemployment costs

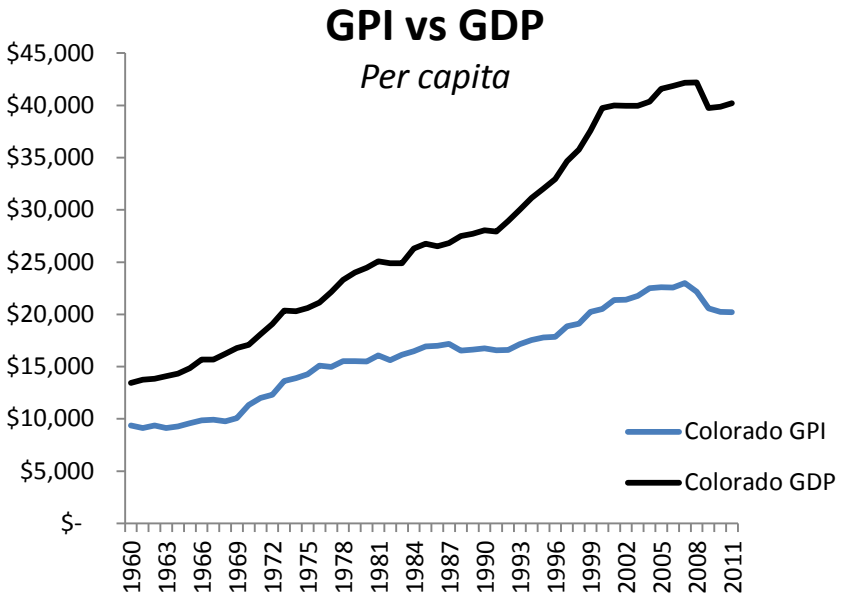
Searching for a better measure of economic progress

For the last few decades, economists have been attempting to come up with a measure that more accurately and thoughtfully addresses the question of whether the economic well-being of a population has increased or not. This new form of measurement, called the Genuine Progress Indicator, or GPI, has been used in several other states including Maryland, Utah, Vermont, Ohio and Minnesota, and there are efforts afoot in other states to measure GPI.

Adopting a GPI accounting metric in Colorado is meant to accomplish a number of goals:

- Identify opportunities for Coloradans to improve their economic well-being.
- Show how much "defensive" spending (expenditures that do not add to well-being but prevent its erosion) Coloradans do as a result of the way we live and consume.
- Assess whether economic well-being is improving and show the trends over time.
- Provide Coloradan decision makers with a more comprehensive method to assess the full effects of public policy and budget decisions.
- Allow policy-makers to examine the trade-offs of allocating and using particular resources.

Has Colorado Made Genuine Progress?



Colorado has made progress since 1960, but not nearly at the pace that GDP would suggest.

Real GDP per capita tripled in Colorado from 1960 to 2011 while GPI per capita doubled since 1960. This is because the GDP gains over the past few decades have come at costs, which aren't captured in GDP, like lost leisure time, increased underemployment, depletion of natural resources, increased cost of commuting and increased income inequality.

Download the full report including an executive summary:
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