



## The Ladder

A Blog from New America's Asset Building Program

# What the Economy Needs is a US Sized Oil Spill; or, Lessons in Measuring What Matters

**Author(s):** [Rachel Black](#)

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Yesterday, David Brancaccio, former host of NOW on PBS and current commentator on NPR's [Marketplace](#), opened the launch of the American Human Development Project's *The Measure of America: 2010-2011: Mapping Risks and Resilience* by making the provocative statement that the recent oil spill in the Gulf Coast should be replicated to get the US economy out of the ditch. Sure, we can quibble about the long term environmental cost (of course nobody **LIKES** to see critters covered in oil) or lost income from folks who depend on fishing or tourism for their livelihoods, but the infusion of resources that were mobilized in response to the disaster, he said, **will end up boosting GDP**. This sounds suspect, so let's do the math: If we assume that the President visits the areas impacted by this proposed national gusher as he did **after the Gulf Coast oil spill**, that alone, as I understand it, will contribute at least **\$200 million a day** into the local economy. Wealth and prosperity, here

we come!

One of the many flaws of this assessment is, as the report points out, that GDP is a limited indicator. During the last economic expansion, for example, income poverty increased by 4.4 million people and median income among working households decreased by over \$1,100. The authors propose three categories, a long and healthy life, access to knowledge, and a decent standard of living, to form a more complete picture of wellbeing and opportunity. The results are startling.

- For example, a white baby born today in Washington, DC can expect to live, on average, to 83.1 years, or 4 years longer than the national average. An African American baby in the same city has a life expectancy of 71 years, the life span of the average American four decades ago.
- Young African American men in Philadelphia and in Jefferson Parish, Louisiana face a higher chance of death by homicide than do military personnel in Iraq. The death rate of African American men ages 20-24 in these areas is 5 per 1,000, as compared with that of military personnel in Iraq, about 4 per 1,000.
- By the end of the 2007-9 recession, unemployment among the bottom tenth of U.S. households, those with incomes below \$12,500, was 31 percent, a rate higher than unemployment in the worst year of the Great Depression; for households with incomes of \$150,000 and over, unemployment was just over 3 percent, generally considered as full employment.
- The wealthiest congressional district in the United States is New York's District 14 on Manhattan's East Side, with median personal earnings of \$60,000; the poorest is New York's District 16, a few subway stops away in South Bronx, with median personal earnings of \$18,000.
- In the last 25 years, the richest American households doubled their wealth (from \$9.2 million to \$18.5 million in 2007) while two in five households lost ground (from \$5,600 to \$2,200).

While an oil spill may boost GDP, it will not boost health outcomes, educational opportunities, or your standard of living. This is the policy equivalent of moving people off of welfare by, well, moving them off of welfare, not by giving them the supports they need to successfully make the transition to self-sufficiency. This is the core of why what we measure matters: what we measure reflects what we value, how we define success, and how we direct resources in pursuit of those

objectives. In many ways, this where the author's critique of using GDP as an indicator of economic health relates to our assessment of income as a limited indicator of a person's financial health. Both narrowly define the factors that contribute either to economic or personal wellbeing and in doing so command a limited set of policy interventions to support achieving and sustaining those outcomes. We avoid oil spill solutions to economic growth, literal or otherwise, when we define progress in ways that are broader than just GDP. Similarly, we help families achieve financial stability by equipping them with an array of resources to weather shifts in their income and invest in their future. In either case, measuring what matters, matters.

## Suggested Reading

[Poverty Numbers are Shocking, but Not Shocking Enough](#)

**The New America Foundation**  
1899 L Street, N.W., Suite 400, Washington, DC 20036  
199 Lafayette Street, Suite 3B, New York, NY 10012  
Additional Contact Info



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