

Despite the potential problems, we often use real GDP as a rough measure of macroeconomic well-being. What problems would each of the following situations create for the use of real GDP to compare well-being over time or across countries? If you wanted to design a better measure, how would you begin to augment GDP to compensate for the situation? (You can't change the economy being measured, only the process of measuring.)

1. Saudi Arabia produces valuable crude oil but in the process reduces the reserves it has in the ground.
2. Workers in the United States are choosing to retire earlier than they did 40 years ago.
3. As female labor-force participation has increased in advanced countries, more and more child care is being performed by commercial day-care centers.
4. Eggs produced on “industrial farms” are not as healthful or tasty as eggs produced by chickens who run around outside as they did 50 years ago (and still do on some “organic” farms).
5. High-definition digital television broadcasts look a lot better than the old, analog shows.
6. The air is really, really dirty most of the time in Beijing.
7. Airport security now takes up more of a frequent flier's time.
8. High crime in South African cities has led to large expenditures by households and firms on razor-wire fences and security guards.