

Economic Growth

Alberta GPI

Noteworthy:

- Alberta's Gross Domestic Product (GDP) has grown 483% since 1961.
- Real GDP per Albertan grew at an average annual rate of 2.2% from 1961 to 2003.
- In 2003, real GDP per capita in Alberta was \$40,367—1.4 times higher than the Canadian average of \$29,700 per capita.
- We are currently spending more money than at any time in history.
- The most important component of GDP is the personal consumption expenditures by Alberta households.
- While GDP measures money exchange very well, it is a poor measure of real economic, social and environmental well-being.
- The GDP fails to account for environmental costs, natural capital depletion, and the value of unpaid work, such as parenting, eldercare and volunteerism.
- The GDP does not distinguish between expenditures that contribute to the well-being of society and those that detract from it (for example expenditure associated with crime).

Economic Growth in Alberta: How Much?

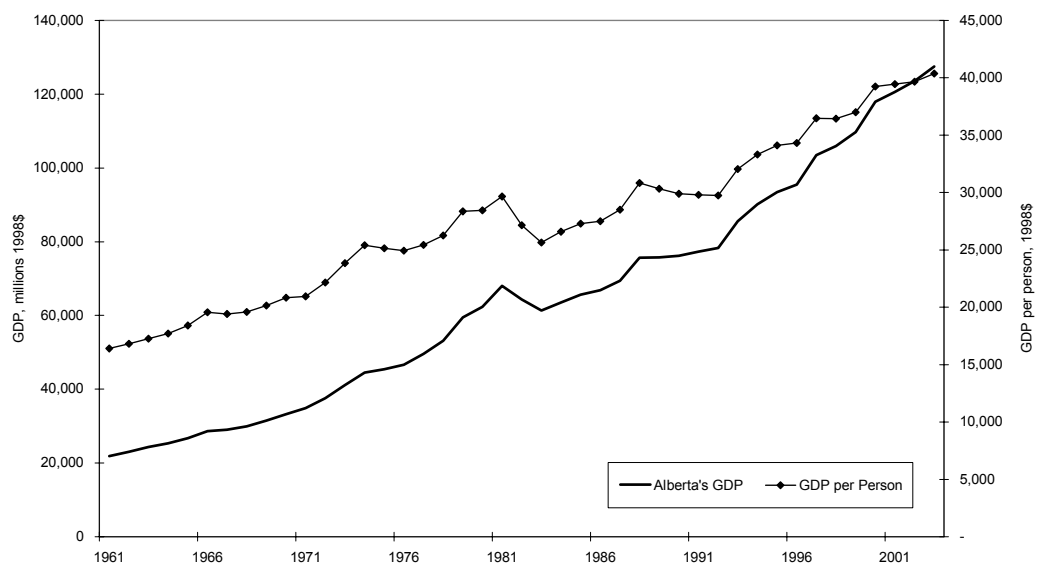
Alberta's economy has more than quadrupled in terms of Gross Domestic Product (GDP) since 1961 (in 1998\$); this amounts to an increase of 146% per Albertan. Real GDP per Albertan (expressed in 1998\$) grew by an average of 4% per annum from 1961 to 2003. This suggests that Albertans are better off simply because we are spending more money. In 1961, Al-

berta's GDP per capita was \$16,395 (1998\$); in 2003, the GDP per capita was \$40,367 (1998\$). In current dollars, Alberta's GDP per capita in 2003 was 1.4 times higher than the Canadian average of \$29,700 per capita.

The figure below shows the trends in total and per capita Alberta GDP. Economic growth has been relentless

with only minor pauses in 1981-1983 and 1988-1992. Economic growth — GDP per capita — was highest in the 1970s, growing at an average 4% per annum. The 1980s had the slowest GDP growth at 0.4% per annum. The 1990s have shown a resurgence of growth averaging 3% per annum (all figures expressed in 1998 dollars).

Gross Domestic Product in Alberta, 1961 to 2003

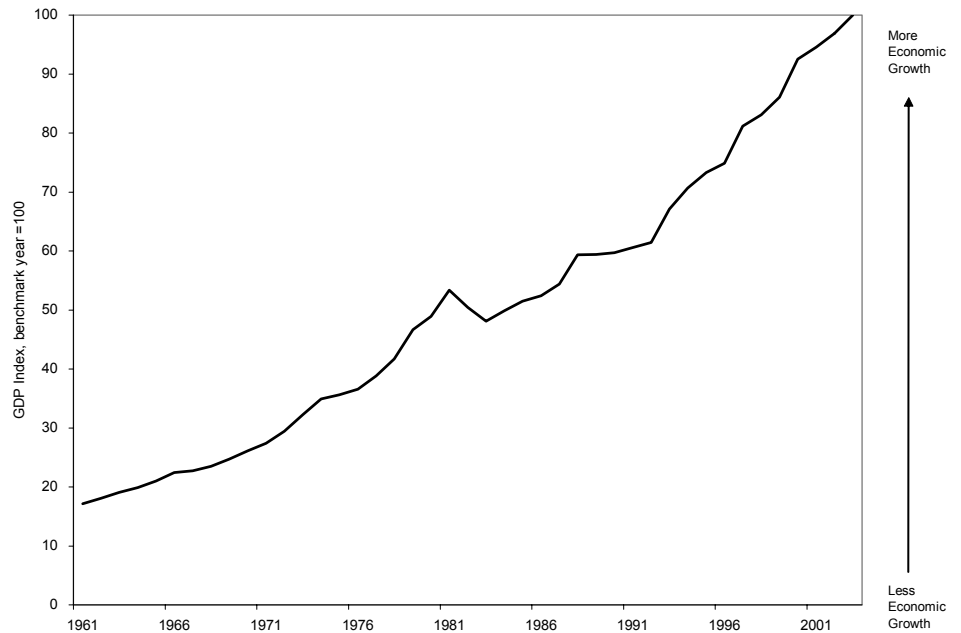


So What?

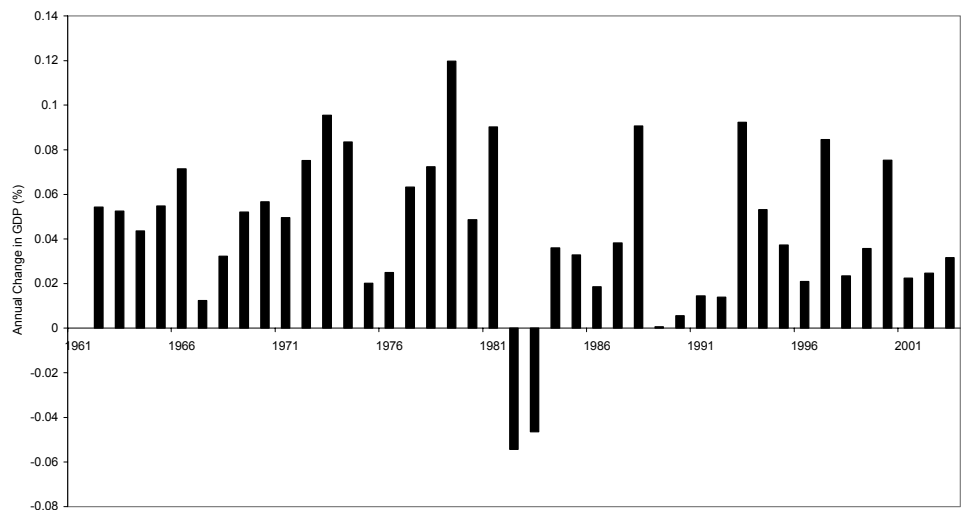
The figure at the upper right shows GDP as an index over time where the highest level of GDP over the study period equals 100. In keeping with the previous figure, this figure shows that GDP increased steadily over the study period. The figure below shows the annual change in GDP between 1962 and 2003. With the exception of two years, Alberta's GDP has increased every year over the study period. Substantial growth took place in the late 1970s.

While the GDP is a useful measure of the gross expenditures or income of an economy, it is an inadequate measure of the overall economic, social and environmental well-being of households, communities, businesses, governments and the environment. Specifically, Alberta's GDP fails to account for the full costs of the depletion of oil and gas resource inventories, ecological degradation, air pollution, and many social costs such as crime and automobile crashes. Moreover, the GDP fails to account for unpaid work, such as volunteerism, parenting, and eldercare. The GDP does not discriminate between expenditures that society might view as regrettable and as detracting from their well-being; the GDP simply adds these up as part of the economic growth statistic. Finally, the GDP does not account for inequitable sharing of the benefits of economic growth—income and wealth. Thus, when economists and policy makers focus only on the GDP as a measure of economic health and guide to economic policy, they violate the spirit of the word "economy" by failing to measure the genuine well-being and management of Alberta's households and the natural environment.

Economic Growth Index: Where are we today?



Annual Change in GDP, 1962 to 2003



The value of the GDP in Alberta in 2003 was \$127,504 million.

As an index, GDP in Alberta in 2003 ranked 100 on a scale of 0 to 100, where 100 is the highest level of GDP that occurred from 1961 to 1999.

