

*The world consists of a variety of cultures and countries at different stages of development and affluence. Numerous measurements, rates, and indexes have been used to accurately determine economic as well as social well-being. Listed below are a few methods utilized to determine a country's overall well-being...*

**Total gross domestic product (GDP) in current prices:** With a few exceptions, GDP only counts goods and services that pass through markets. Production that is not bought or sold does not generally get counted. When one looks at the **per capita GDP** (total GDP divided by population) of various countries, one finds some countries that have per capita GDPs of only one or two hundred dollars. This statistic may mean that the inhabitants of such countries are truly impoverished, or it may mean that most transactions are not market transactions. If a nomadic or agricultural society is self-sufficient within small groups, there may be considerable production unrecorded in the GDP statistics because none of it reaches the market. This omission also means that a rapid rise in GDP may not reflect more production, but a shift in production from a nonmarketed form to a marketed form.

Another problem with GDP that has fascinated economists involves the size of the "informal economy," the economic activity unreported to the government because those engaged in it are attempting to avoid taxes. When a waitress takes tips that she does not report, or a plumber offers to work for less if paid in cash rather than by check, or a farmer who sells vegetables at a roadside stand understates his revenues to the IRS, each is part of the underground economy.

GDP is equal to GNI less net receipts of primary income. Value added is the net output of an industry after adding up all outputs and subtracting intermediate inputs. The World Bank does not use this measure for classification of countries into income groups or poverty levels, as it is subject to distortions caused by short-term exchange rate fluctuations, policies and interventions. However, GDP measured in constant, local currency units provides the basis for estimates of overall economic growth.

**Gross national income (GNI) in US\$ Atlas method:** GNI is the sum of value added by all resident producers plus any product taxes (less subsidies) not included in the valuation of output plus net receipts of primary income (compensation of employees and property income) from abroad. Data are in current U.S. dollars, converted from countries' respective national currencies using the Atlas method, which uses a three-year average of exchange rates to smooth effects of transitory exchange rate fluctuations. (GDP & GDP per capita growth rates, however, are calculated from data in constant prices and national currency units, not from the Atlas method estimates). The World Bank favors the Atlas method for comparing the relative size of economies and uses it to classify countries in low, middle and high-income categories and to set lending eligibilities in order to reduce short-term fluctuations in country classification.

**Purchasing power parity gross national income (PPP GNI):** This measure is GNI converted to international dollars using purchasing power parity. An international dollar has the same purchasing power over GNI as a U.S. dollar has in the United States. The World Bank favors this measure for accurate measurement of poverty and well-being; in effect, it substitutes global prices for local measured prices, thereby more accurately reflecting the real value of the good or service in question. This is especially true of non-tradable services (haircuts are the example) which are assumed to produce the same level of welfare from one country to another, but which vary widely in their measured local price.

**Human Development Index (HDI):** measures the average achievements in a country in three basic dimensions of human development:

- A long and healthy life, as measured by life expectancy at birth.
- Knowledge, as measured by the adult literacy rate (with two-thirds weight) and the combined primary, secondary, and tertiary gross enrolment ratio (with one-third weight).
- A decent standard of living, as measured by gross domestic product (GDP) per capita at purchasing power parity (PPP) in USD (\$).

\* A perfect score would be a 1.000; no country has ever achieved this.

\* In 2010, Norway (0.938) was first and Zimbabwe (0.140) was last of 169 countries measured.

**Index of Economic Freedom:** Economic freedom is defined as the absence of government coercion or constraint on the production, distribution, or consumption of goods and services beyond the extent necessary for citizens to protect and maintain liberty itself. In other words, people are free to work, produce, consume, and invest in the ways they feel are most productive. To measure economic freedom and rate each country, the authors of the *Index* study 50 independent economic variables. These variables fall into 10 broad categories, or factors, of economic freedom:

- *Trade policy*
- *Fiscal burden of government*
- *Government intervention in the economy*
- *Monetary policy*
- *Capital flows and foreign investment*
- *Banking and finance*
- *Wages and prices*
- *Property rights*
- *Regulation*
- *Informal market activity*

\* Scores range from 80-100 (free), 70-79.9 (mostly free), 60-69.9 (mostly unfree), and 0-49.9 (repressed).

\* In 2010, Hong Kong (89.7) was first and North Korea (1.0) was last of 179 countries measured.

\*\* Of particular interest below is the **Group of Eight (G-8)**. The G-8 consists of Canada, France, Germany, Italy, Japan, the United Kingdom, the United States of America, and the Russian Federation. Altogether, those countries represent 66.5% of the world economy. The impetus for the collaboration of these countries began with the 1973 oil crisis. The hallmark of the G8 is an annual economic and political summit of the heads of government with international officials.

Top Countries (2010) (ranked by GDP)	GDP (\$ bn)	GDP PPP (\$ bn)	GDP PPP (\$ per cap.)	HDI	IEF
World	62,220	74,430	11,000	0.680	60.0
U.S.	14,620	14,720	47,400	0.902	77.8 (9)
China	5,745	9,854	7,400	0.663	52.0 (135)
Japan	5,391	4,338	34,200	0.884	72.8 (20)
Germany	3,306	2,951	35,900	0.885	71.8 (23)
France	2,555	2,160	33,300	0.872	64.6 (64)
United Kingdom	2,259	2,189	35,100	0.849	74.5 (16)
Italy	2,037	1,782	30,700	0.854	60.3 (87)
Brazil	2,024	2,194	10,900	0.699	56.3 (113)
Canada	1,564	1,335	39,600	0.888	80.8 (6)
Russian Federation	1,477	2,229	15,900	0.719	50.5 (143)
India	1,430	4,046	3,400	0.519	54.6 (124)
Spain	1,375	1,374	29,500	0.863	70.2 (31)
Australia	1,220	890	41,300	0.937	82.5 (3)
Mexico	1,004	1,560	13,800	0.750	67.8 (48)

Bottom Countries (2010) (regional selections)	GDP (\$ bn)	GDP PPP (\$ bn)	GDP PPP (\$ per cap.)	HDI	IEF
World	62,220	74,430	11,000	0.680	60.0
Haiti	6.495	11.180	1,300	0.404	52.1 (133)
Burkina Faso	8.672	20.060	1,200	0.305	60.6 (85)
Dem. Rep. of the Congo	12.600	22.920	300	0.239	40.7 (172)
Liberia	9.770	1.760	500	0.300	46.5 (160)
Sierra Leone	2.254	4.182	900	0.317	49.6 (149)
Sudan	65.930	98.790	2,300	0.379	N/A
Zimbabwe	5.574	4.395	400	0.140	22.1 (178)
Afghanistan	16.630	29.810	800	0.349	N/A
Bangladesh	105.400	259.330	1,600	0.469	53.0 (130)
Myanmar	35.650	60.070	1,100	0.451	37.8 (174)
Papua New Guinea	8.809	14.930	2,400	0.431	52.6 (131)
Yemen	30.020	61.880	2,500	0.439	54.2 (127)