

*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...*

**Gross domestic product (GDP):** a monetary measure of the value of all final goods and services produced in a period (quarterly or yearly). Nominal GDP estimates (not adjusted for inflation) are commonly used to determine the economic performance of a whole country or region, and to make international comparisons. 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 (e.g., the unreported and untaxed informal economy, such as odd jobs, "under-the-table" transactions, black markets, and drug trade).

The **per capita GDP** (total GDP divided by population) of various countries is typically a much better indicator of development, since it is a one-to-one comparison. Countries with larger populations will normally possess a greater GDP as compared with countries of small populations (e.g., Nigeria's GDP in 2014 was \$574 million (\$2,800 per capita GDP), whereas Luxembourg's was \$67 million (\$103,000 per capita GDP)). Clearly, the per capita income tells a much more accurate story in terms of actual development.

**Gross domestic product (with purchasing power parity) (GDP (PPP)):** a measure of GDP that is converted to international dollars comparing purchasing power of a "basket of goods" across countries. An international dollar has the same purchasing power over GNI as a U.S. dollar has in the United States. To further understand, a typical basket of goods consists of various household items, personal goods and services, leisure goods, household services, and other categories. In effect, PPP 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 an 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.
- A decent standard of living, as measured by gross domestic product (GDP) per capita with purchasing power parity (PPP) in USD (\$).
- Knowledge, as measured by the mean years of schooling (years that a person 25 years-of-age or older has spent in schools) and expected years of schooling (years that a 5-year-old child will spend in schools throughout his life).

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

\* In 2015, Norway (0.944) was first and Niger (0.348) was last of 188 countries measured.

**Index of Economic Freedom:** 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 (the Heritage Foundation and the Wall Street Journal). These variables fall into 10 broad categories, or factors, of economic freedom:

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

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

\* In 2015, Hong Kong (88.6) was first and North Korea (1.3) was last of 178 countries measured.

## Cross-Country Comparison of Measures of Development

Top 15 Countries (2016) (ranked by GDP)	GDP (\$ bn)	GDP PPP (\$ bn)	GDP PPP (\$ per cap.)	HDI	IEF
World	75,212	125,774	16,300	0.690	60.0
U.S.	18,561	18,562	57,294	0.915	75.4 (11)
China	11,392	21,269	15,424	0.727	52.7 (139)
Japan	4,730	4,931	38,894	0.891	71.8 (24)
Germany	3,494	3,979	48,190	0.916	72.8 (19)
United Kingdom	2,649	2,788	42,514	0.907	74.8 (14)
France	2,488	2,737	42,384	0.888	62.5 (73)
India	2,251	8,721	6658	0.755	55.7 (120)
Italy	1,852	2,222	36,313	0.873	61.7 (80)
Brazil	1,769	3,135	15,211	0.609	56.6 (118)
Canada	1,532	1,674	46,240	0.798	80.2 (6)
South Korea	1,404	1,929	37,948	0.913	71.2 (31)
Russian Federation	1,268	3,745	26,109	0.935	51.1 (139)
Australia	1,257	1,189	48,806	0.898	80.3 (5)
Spain	1,252	1,690	36,451	0.876	67.6 (49)
Mexico	1,063	2,307	18,865	0.756	66.4 (59)

Bottom Countries (2014) (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	8.618	18.745	1,750	0.483	51.3 (151)
Burkina Faso	11.009	30.878	1,724	0.402	59.9 (86)
Dem. Rep. of the Congo	38.873	62.873	770	0.433	39.6 (171)
Liberia	2.035	3.749	873	0.430	52.4 (138)
Sierra Leone	4.167	9.966	1,577	0.413	48.3 (151)
South Sudan	2.627	23.691	1,992	0.467	N/A
Niger	7.151	19.053	1,080	0.348	54.6 (127)
Afghanistan	19.204	62.318	1,947	0.465	N/A
Bangladesh	205.715	576.547	3,607	0.570	54.1 (131)
Myanmar	66.983	283.532	5,469	0.536	39.2 (172)
Papua New Guinea	16.090	18.595	2,652	0.505	53.9 (132)
Yemen	36.852	75.535	2,671	0.498	55.9 (113)

\*\* Of particular interest above 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 (suspended in 2014). Altogether, in 2012 those countries represented 50.1% of global GDP (nominal). The impetus for the collaboration of these countries began with the 1973 oil crisis. The hallmark of the G-8 is an annual economic and political summit of the heads of government with international officials.