

LINKS  
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Gross world product (GWP)—the sum of all finished goods and services produced globally—jumped 4.6 percent in 2005 to another record high of \$59.6 trillion (in 2005 dollars).<sup>1</sup> (See Figure 1.) This total—based on the purchasing-power-parity valuation of country-based gross domestic product (GDP) measures—is roughly

a percentage point higher than the annual average increase of 3.5 percent since 1970.<sup>2</sup> The

market-rate GWP, which is based on actual monetary terms, grew 4.8 percent to \$43.9 trillion.<sup>3</sup>

The U.S. economy, which makes up 21 percent of the GWP, grew by 3.8 percent.<sup>4</sup> One primary driver of this growth was high consumer spending propped up by the wealth generated by the booming housing market.<sup>5</sup> Total growth, however, was 0.5 percent less than earlier projections because of Hurricane Katrina.<sup>6</sup> This one natural disaster shrunk the GWP 0.1 percent.<sup>7</sup> Hurricanes—the severity of which could increase due to climate change—may continue to slow total GWP growth.<sup>8</sup>

The European Union, if counted as one entity, also makes up 21 percent of the GWP, and its economy grew by 2.7 percent in 2005.<sup>9</sup> This comparatively slow growth was mainly due to weak domestic demand.<sup>10</sup> China, which produced 14 percent of the GWP in 2005, grew at a rapid 7.8 percent.<sup>11</sup> Much of China's growth came from rapid expansion in its manufacturing exports, combined with a slowdown in its import growth.<sup>12</sup> Japan—7 percent of the global economy—grew by 2.6 percent, primarily due to strong consumer demand and a strengthening labor market.<sup>13</sup>

India accounts for 6 percent of the GWP and registered 7-percent growth in its economy.<sup>14</sup> This was driven mainly by growth in the service sector, such as information technology, and in industrial production.<sup>15</sup> Sub-Saharan Africa, home to 11.4 percent of the world's population, produced just 3 percent of the GWP.<sup>16</sup> Total economic output in the continent did increase 5.8 percent—aided by low inflation, rising oil prices, and fewer armed conflicts.<sup>17</sup>

Per capita GWP also grew in 2005, to \$9,233 per person.<sup>18</sup> (See Figure 2.) Yet because world

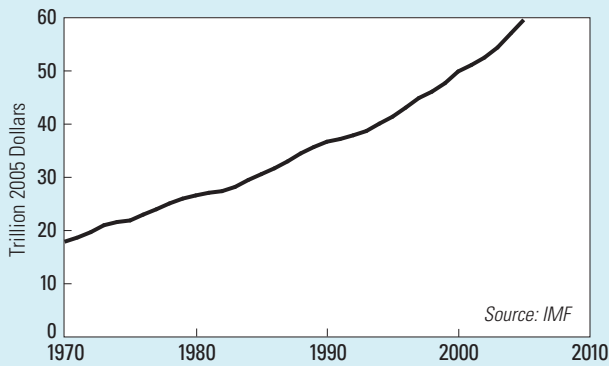
population increased by 74 million, per capita growth was only 3.4 percent.<sup>19</sup> Of course, as an aggregated sum per capita GWP does not capture the discrepancies across countries. In 2005, GDP per person in the United States was \$41,701 and in Japan it was \$31,466.<sup>20</sup> In China, though, GDP per person was \$6,194, in India it was \$3,335, and in sub-Saharan Africa it was only \$2,075.<sup>21</sup>

The GDP per capita measure does not take into account unequal income distribution within countries. Thus in a country of relatively low income inequality, such as Sweden, GDP is more equitably distributed among the population. Compare this to the United States, where income inequality is 1.6 times that in Sweden.<sup>22</sup> The effects of this show up in other societal statistics: the probability of not surviving to age 60 in the United States is 64 percent higher than in Sweden and the population living on less than \$11 a day is 2.2 times as high.<sup>23</sup>

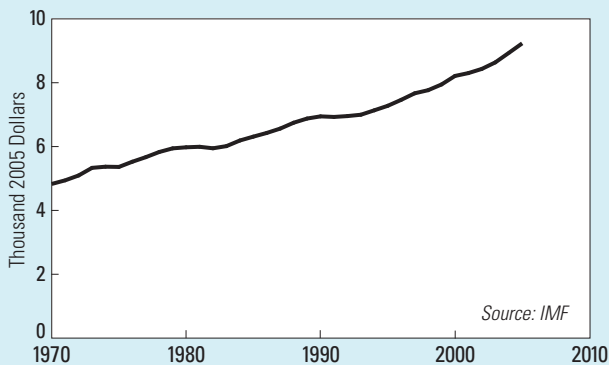
One of the flaws of using GDP to measure economic progress is that it counts all economic activity as a positive addition, regardless of its societal worth. Moreover, some sectors of the economy, such as taking care of children and households, are excluded. The U.S. nongovernmental organization Redefining Progress has created an alternative measure—the genuine progress indicator (GPI)—that recalibrates the U.S. GDP by subtracting out pollution and other economic ills while adding in unmeasured benefits.<sup>24</sup> For 2002 (the most recent year with GPI data), Redefining Progress found the GPI to be \$11,554 per person, less than a third of GDP per capita that year.<sup>25</sup> While GDP per capita grew by 79 percent between 1972 and 2002, the GPI grew just 1 percent.<sup>26</sup> (See Figure 3.)

Some people maintain that increased growth in the global economy is necessary to reduce poverty. A 2006 analysis, however, found that for every \$100 worth of growth in GWP, only 60¢ contributed to reducing extreme poverty.<sup>27</sup> The recognition that growth in GWP often comes at the expense of the poor or the environment may lead policymakers and economists to give less priority to growth and more to better distribution.

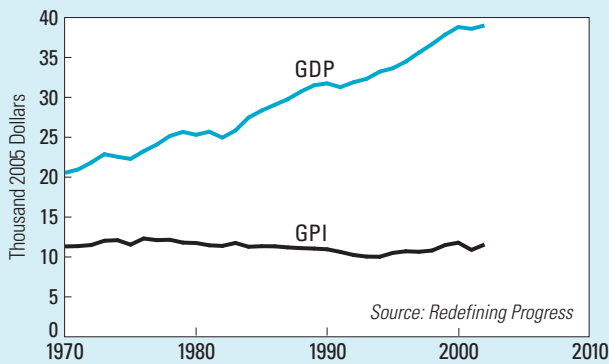
**Figure 1. Gross World Product, 1970–2005**



**Figure 2. Gross World Product Per Person, 1970–2005**



**Figure 3. GDP and GPI Per Person, United States, 1970–2002**



**Gross World Product, 1970–2005**

Year	Total (trill. 2005 dollars)	Per Capita (2005 dollars)
1970	17.9	4,829
1971	18.7	4,942
1972	19.7	5,094
1973	21.0	5,333
1974	21.6	5,369
1975	21.9	5,362
1976	23.0	5,525
1977	24.0	5,668
1978	25.1	5,830
1979	26.0	5,944
1980	26.6	5,977
1981	27.1	5,993
1982	27.4	5,946
1983	28.2	6,014
1984	29.5	6,190
1985	30.6	6,311
1986	31.7	6,427
1987	33.0	6,563
1988	34.5	6,747
1989	35.7	6,878
1990	36.7	6,946
1991	37.2	6,928
1992	37.9	6,955
1993	38.7	6,997
1994	40.1	7,136
1995	41.4	7,277
1996	43.1	7,464
1997	44.9	7,668
1998	46.1	7,766
1999	47.7	7,945
2000	49.9	8,212
2001	51.1	8,302
2002	52.5	8,433
2003	54.4	8,637
2004	57.0	8,933
2005 (prel)	59.6	9,233

Source: IMF.

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