

Basic Guide to the World

Economic Growth, 1970 to 2007

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About this report:

This is a basic description of economic growth throughout the world. We describe economic growth by world regions, and for selected countries.

We first show trends for world regions overall. For example, how did North America, or Africa, grow. The next sections show growth for the highest and lowest growth countries, compared to the world average. Last we show trends for the five largest countries, as a kind of indicator of largest players in the world economy. We also include a brief discussion about using economic measures, and a list of where to learn more.

The goal of this presentation is to describe economic growth patterns in a simple and clear manner that is understandable by everyone. We hope the presentation can be used in classrooms, or simply read by anyone interested in the topic.

This is a very general overview, an introduction. We list a number of additional reports at the end, for those who wish to learn more.

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All data used in this report are from:
USDA's International Macroeconomic Data Set
<http://www.ers.usda.gov/Data/Macroeconomics/>
created by Dr. Mathew Shane

About the economy:

The economy is measured by the Gross Domestic Product, or GDP. This is a measure of all products and services produced in a country¹.

The GDP is commonly used to measure the economy and economic growth². There are also a number of problems with these measures, discussed in the appendix. However, GDP can be used, along with other variables like infant mortality rate, freedom and literacy, to give a reasonable picture of national wealth and progress.

¹ From the CIA World Factbook, Notes and Definitions.
<https://www.cia.gov/cia/publications/factbook/docs/notesanddefs.html>

² Measuring Economic Growth. Bank of Canada, 2007. <http://www.bankofcanada.ca/en/monetary/monpolicy.html>

Economic Growth: World Regions

- North America, Europe and Asia were the largest economies from 1970 through 2007.
- Every region experienced economic growth, but some grew faster while some grew slower.
 - Asia had high growth.
 - North America had modest growth.
 - Western Europe had low growth.
- Different growth rates led to change in relative size.
 - Asia (high growth) was 19% of the world economy in 1970 but 28% in 2007.
 - North America (moderate growth) was 33% in 1970 and still 33% in 2007.
 - Western Europe (low growth) was 34% in 1970 but 25% in 2007.

Economic Growth: Selected Countries

- Most of the countries with high growth rates were in Asia, including:
 - China, Singapore, Taiwan, South Korea, Malaysia, Hong Kong and Thailand.

- Countries with the lowest growth rate were in:
 - The former Soviet Union/ Eastern Europe: Ukraine, Tajikistan, Georgia, Moldova.
 - Former Soviet Union/ Eastern Europe countries are a special category. These countries experienced large declines starting in 1989 (when the Soviet Union collapsed), and in many cases have started recovering since 1999.
 - Africa: Liberia, the Central African Republic, the West Bank.
 - Latin America: Guyana, Haiti, Jamaica and Nicaragua.
 - The remaining low growth countries show consistently low growth.

Economic Growth: Five countries with largest economies in 2007

- United States and Japan were the largest economies during this period, at about 30% and 14% of the world economy, respectively.
- Japan's growth slowed considerably since around 1991.
- China was 1% of the world economy in 1970 and became the third largest economy, at 6%, in 2007.
- Germany and the United Kingdom did not grow as fast as did the other countries, and changed from 8% and 6% of the world economy in 1970 to 5% and 4% of the world economy in 2007.
- The next five largest economies (not shown) were France, Italy, Canada, India and Brazil. They all showed consistent growth during this time period, with India, Brazil and Canada growing the fastest. These five countries combined account for 13-14% of the world economy.

Appendix I. Measuring GDP and GDP per Capita

While GDP "is the best measure of aggregate economic activity that is available" (Doepke, 2003, p5), there are some measurement problems including:

- GDP only measures products and services that are bought or sold, so in some economies where things are bartered or traded with neighbors, friends, relatives, etc, these things are not counted in GDP (Doepke, 2003; Schenk, 2004).
- Official measures of GDP also often do not measure the "underground economy", which is economic activity not reported to the government (Braguinsky, 2005; Doepke, 2003; Schenk, 2004). For example, people working for cash who don't report this income are part of the underground economy, but are not counted in GDP.
- GDP also does not include subsistence farming, household production and externalities (Braguinsky, 2005). Household 'production' includes meals cooked, caretaking, and related activities, which are certainly valuable (Braguinsky, 2005). Externalities are, for example, pollution from factories.
- GDP does not account for changes in quality of products. For example when computers become more powerful, they are still counted as the same product, even though they can do much more. Thus, economic growth is often underestimated (Doepke, 2003).
- The underground economy could be as large as the officially measured economy in some countries (US Department of State, 2004)

Thus, while GDP data should be interpreted with some degree of caution, it is a reasonable measure of economic growth.

References

Braguinsky, Serguey. Lecture notes for Macroeconomic Theory. Available at <http://pluto.fss.buffalo.edu/classes/eco/sb56/> See lecture notes for GDP and its measure. Retrieved March 3, 2005.

Center for Global Development. GDP per Capita. Available at Data Sets and Resources. Retrieved 29 April, 2007, from <http://www.cgdev.org/section/topics/dataset/>

Doepke, Matthias. Lecture notes for Econ 202 at Chicago (intermediate macroeconomics). "Chapter 2 - NIPA and the Measurement of Inflation" Retrieved from <http://www.econ.ucla.edu/doepke/teaching/resources/index.html> on March 23, 2005

Schenk, Robert.2004. Cyber Economics. <http://ingrimayne.saintjoe.edu/econ/> See Limitations of GDP Statistics in Overview: Measuring the Economy section. Retrieved from <http://ingrimayne.saintjoe.edu/econ/Measuring/GNP2.html> on February 21, 2005.

US Department of State, Background Notes: Paraguay. Retrieved from <http://www.state.gov/r/pa/ei/bgn/1841.htm> on March 3, 2005.

Appendix II. Additional Resources

Beyond Economic Growth

<http://www.worldbank.org/depweb/beyond/beyond.htm>

Population: A Lively Introduction

<http://www.prb.org/Publications/PopulationBulletins/2007/PopulationALivelyIntroduction.aspx>

Gross Domestic Product

<http://www.bbc.co.uk/dna/h2g2/A813953>

Analytical tools for human development

<http://hdr.undp.org/hdr2006/statistics/indices/tools.cfm>

Figure 1. World GDP Real 2000 GDP (\$billions)

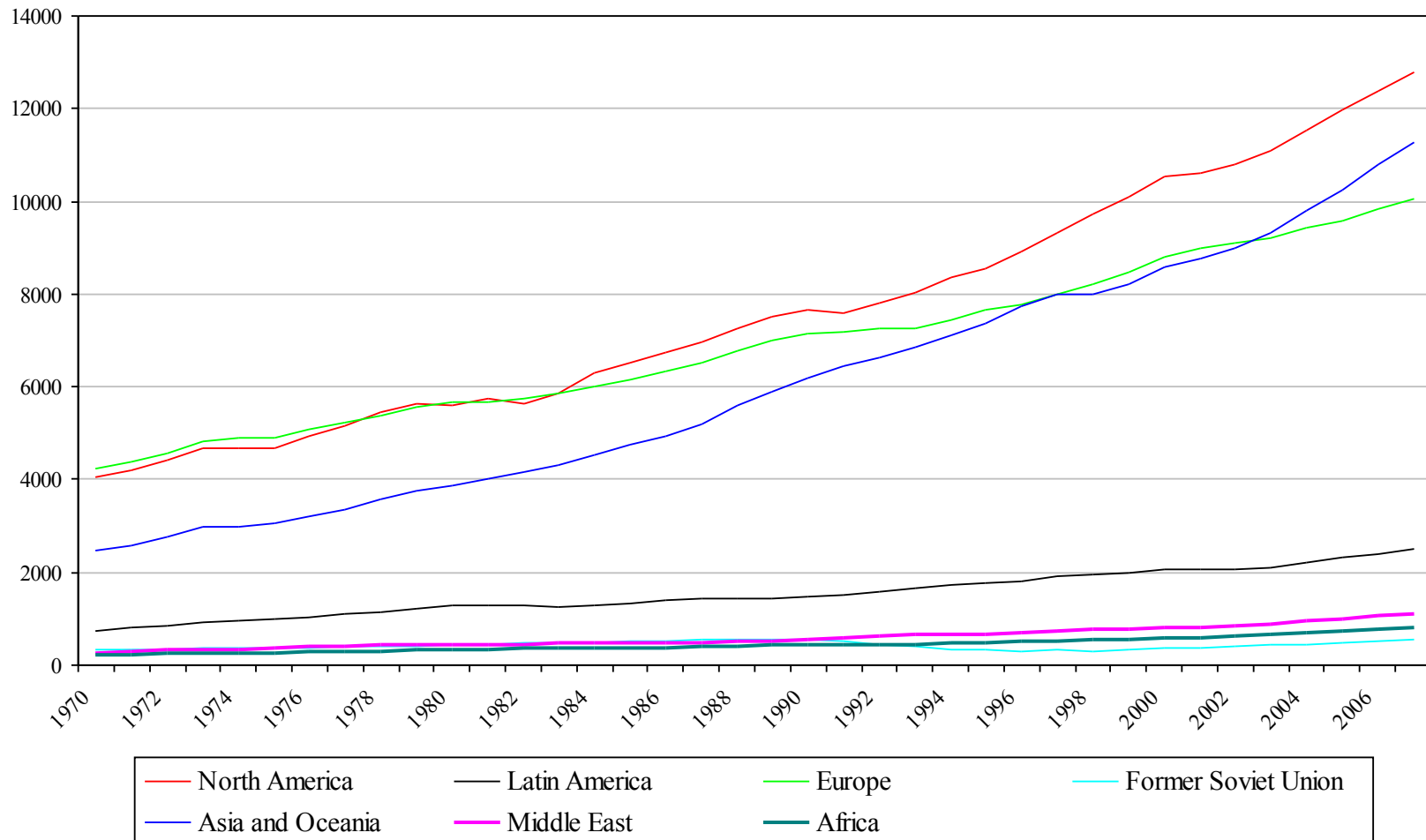


Figure 2. Countries with highest growth Real 2000 GDP (\$billions)

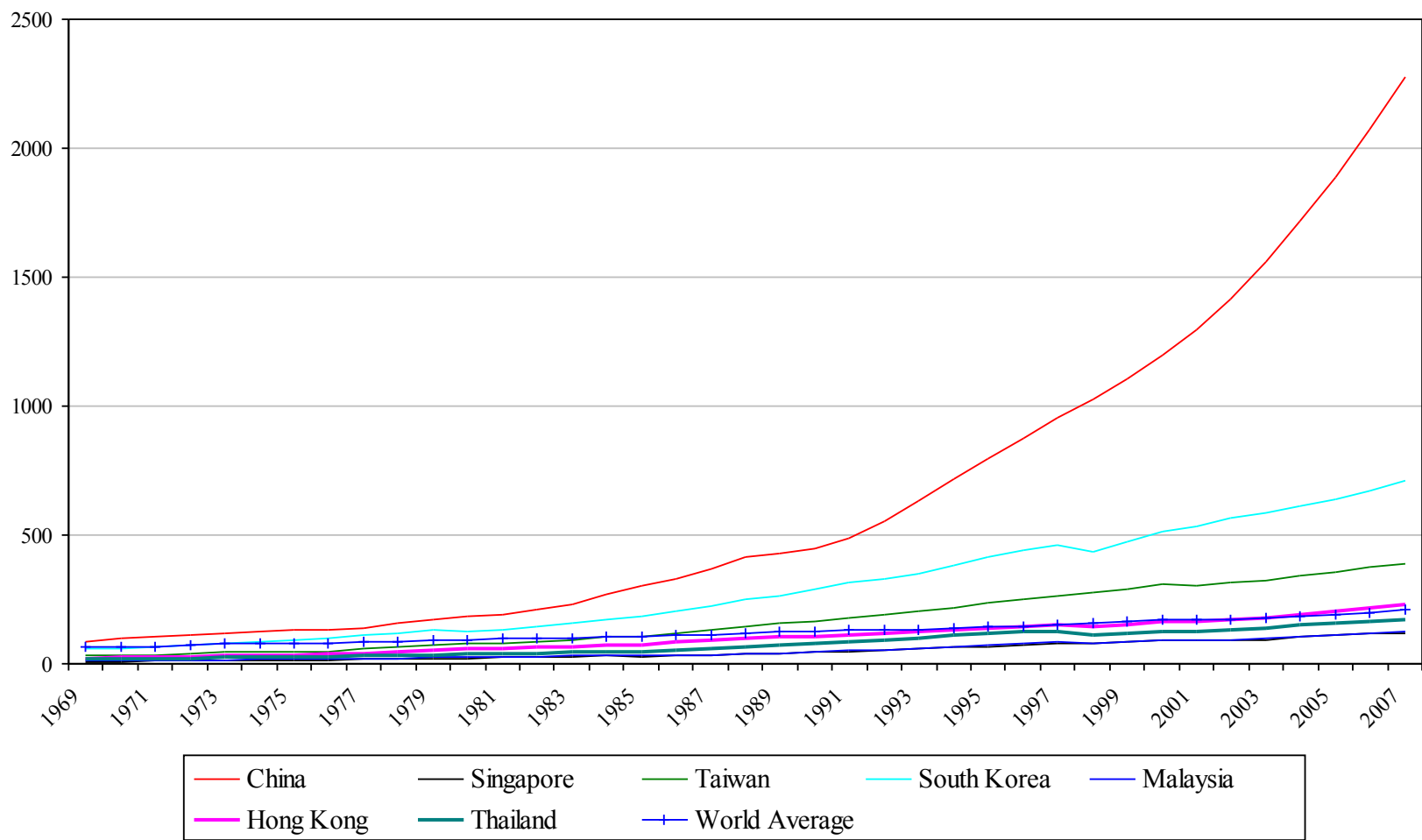


Figure 3. Countries with highest growth Excluding China. Real 2000 GDP (\$billions)

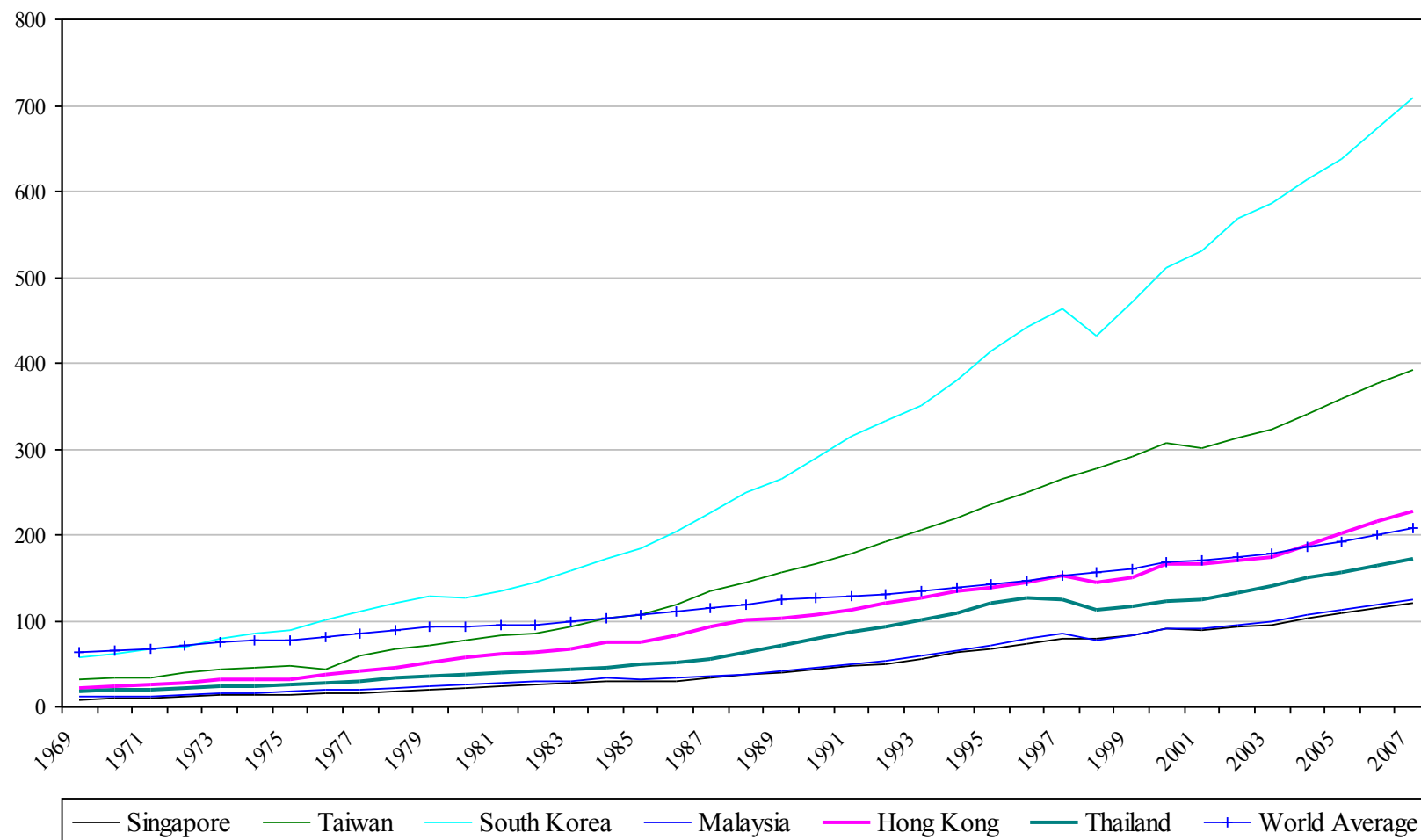


Figure 4. Countries with lowest growth Real 2000 GDP (\$billions)

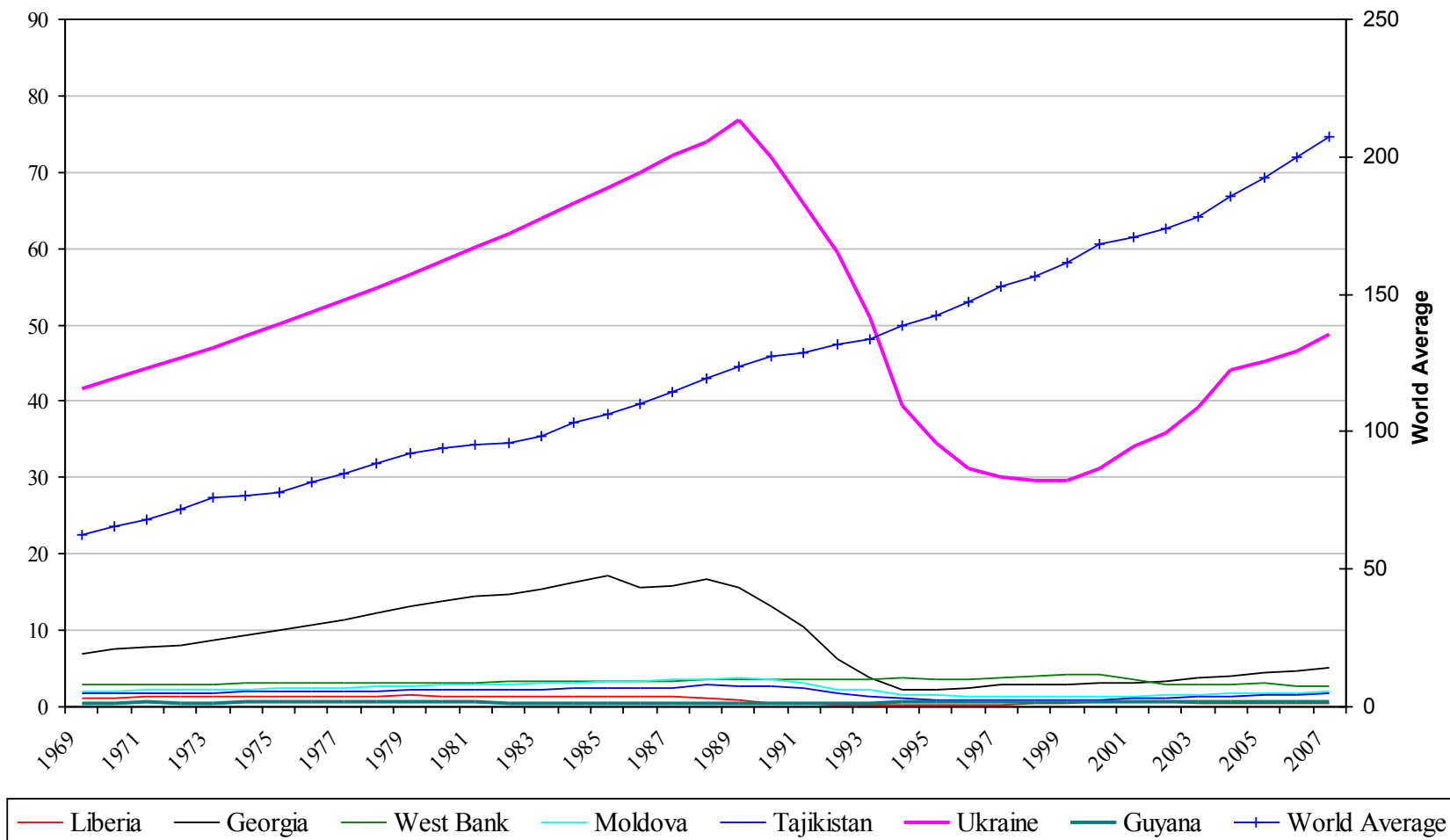


Figure 5. Countries with lowest growth Excluding Georgia and Ukraine. Real 2000 GDP (\$billions)

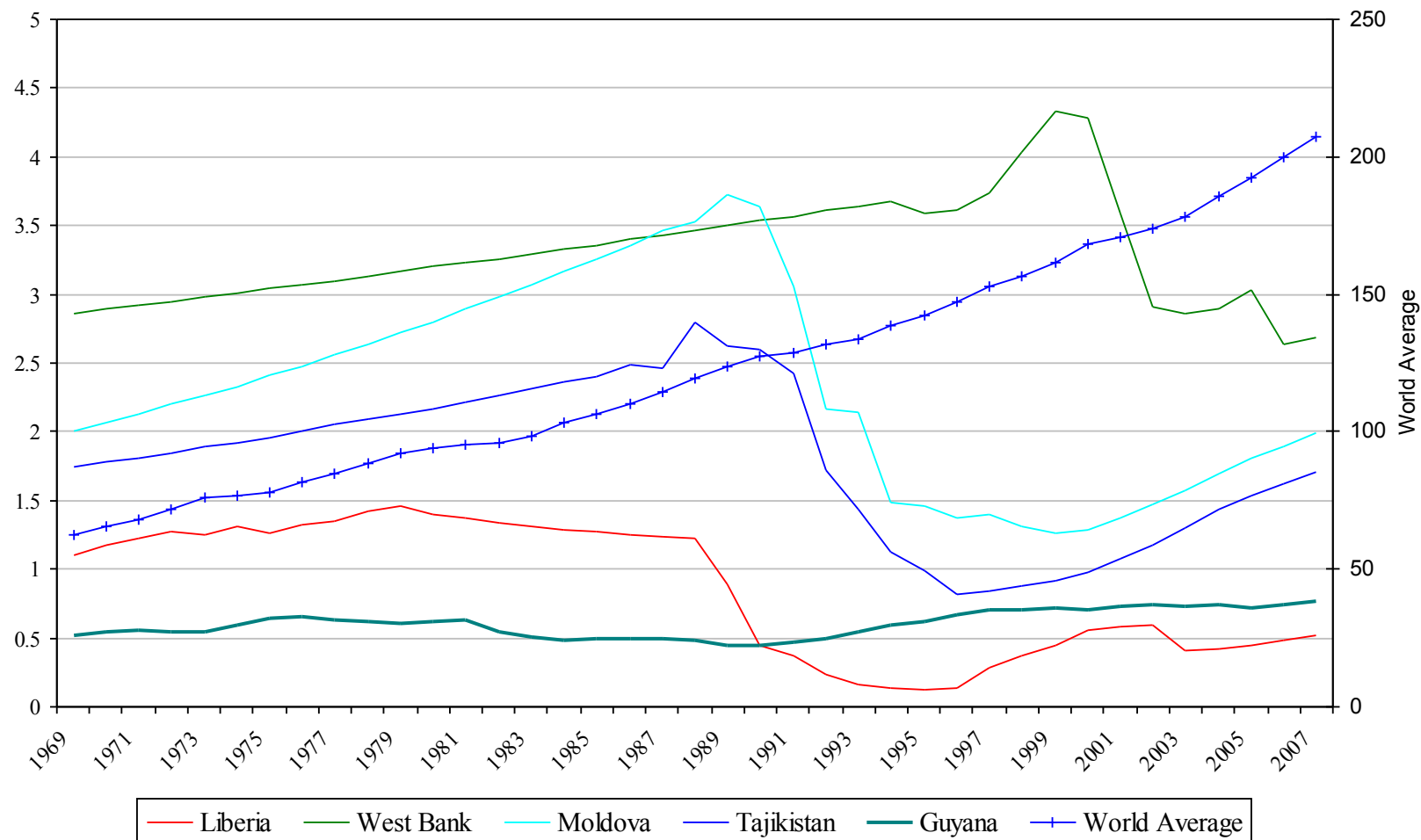


Figure 6. Countries with lowest growth Excluding Former Soviet Union and related countries Real 2000 GDP (\$billions)

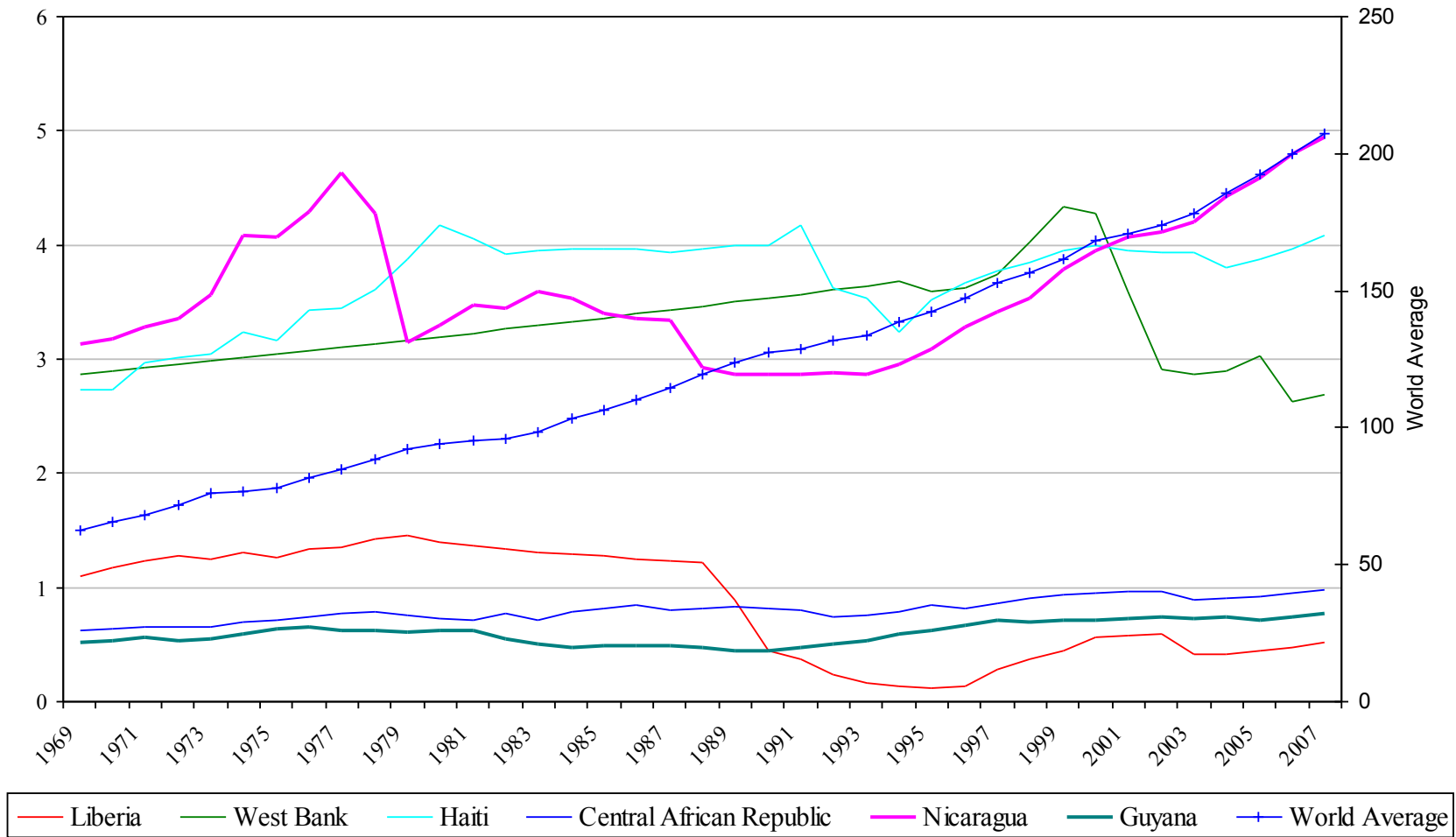


Figure 7. Five Countries with largest economies in 2007

Real 2000 GDP (\$billions)

