# How Can You Measure a Nation's Wealth?

## Examining the Gross Domestic Product (GDP) of the United States in the Year 2000

### Measuring the GDP

While there are multiple methods for measuring GDP, theoretically all of these methods yield the same result. In reality calculating the GDP for the U.S. using the expenditure method equals $9.96 but the value-added method (used to calculate the GDP per industry) equals $9.82 trillion.

**EXPENDITURE METHOD**

Measures GDP using the total market value of final goods and services produced within a country's borders during a year. "Final goods" does not include the price sold by a producer nor the price sold by the distributor. This methodology counts only the final sale to the person who consumes it.

**INCOME METHOD**

Measures GDP by summing the payments made to the owners of the land and machinery/buildings as well as the labor used in production (similar to the method used to calculated GNI). This method equals the GDP calculated using expenditures if you subtract taxes and government subsidies on products.

**VALUE-ADDED METHOD**

Measures GDP by summing the value added to a commodity at each stage of the production process. For example, a wheat farmer, a miller, and a baker each contribute to the production of bread; if we sum up the incremental value added by each individual we get an estimate of GDP.

### Production that is Not Counted

With few exceptions, GDP only counts goods and services that pass though organized markets. Which means production that is not bought or sold is normally not counted. For example, in subsistence agriculture a family grows food only for themselves; it is not sold, therefore does not increase GDP.

Finally, income in the "underground economy" is not counted. Often this economic activity is not reported to the government because people are trying to avoid paying taxes.

### Converting GDP into US dollars

There are two ways to convert the GDP of a country into U.S. dollars:

The most common is by using the exchange rates found on currency markets. However, speculation can make the rates volatile and distort the "true" value of a country's currency.

Alternatively, purchasing power parity (PPP) used in this poster calculates the price for a "basket of goods"—housing, food, transportation—in one country and compares it the price of the same goods bought in the United States. This gives us the value of a U.S. dollar compared to the currency of another country. For example, if a hamburger costs $2.80 in the United States and costs £3.70 in the United Kingdom, then $1.00 ≈ £1.32.

### National Income Accounting Statistics

National income statistics are widely used, not just by economists, but by politicians, business people, and participants in financial markets trying to understand the size and strength of a country's economy.

Besides Gross Domestic Product (GDP), these statistics included Gross National Product (GNP). GNP is similar to GDP except it measures the economic activity by the country's citizens, regardless of where they live.

In recent years this terminology has changed. GNP has been replaced by Gross National Income (GNI) which brings it in line with the 1993 System of National Accounts (SNA) guidelines, adopted by many countries and international organizations.


### Wealth is not the same as welfare.

A factory's production adds to GDP but its pollution does not reduce it. In fact, pollution can be counted twice in GDP once as the original production and again in the costs of environmental clean-up.

If crime increases, more police officers are hired and more prisons are built, which adds to GDP.

Although people considered their leisure time valuable, this is not counted in the GDP. If you work an 80 hour work week rather than a 40 hour work week, GDP will increase.

Goods and services

Produced within the borders of the United States

For example, the United States' GDP includes the work of a Canadian citizen who commutes to a job in the United States. However, if a US company owns a factory in Canada the production from that factory is part of Canada's GDP.

Total amount before deductions for depreciation, i.e. includes replacement of goods that have worn out.

$9.8 trillion
**$9,824,600,000,000 United States' Total GDP**

## United States' GDP by Industry

**Gross Domestic Product (GDP)** is a statistic commonly used to determine the size of a countries' economy by calculating its total production of goods and services in a year.

$3 trillion — **$3,000,000,000,000**

$2 trillion — **$2,000,000,000,000**

$1 trillion — **$1,000,000,000,000**

$0

India's GDP
$2,200,000,000,000

Germany's GDP
$1,936,000,000,000

France's GDP
$1,448,000,000,000

Russia's GDP
$1,120,000,000,000

Mexico's GDP
$915,000,000,000

Canada's GDP
$774,700,000,000

Indonesia's GDP
$654,000,000,000

Argentina's GDP
$476,000,000,000

Nigeria's GDP
$117,000,000,000

**Mining**

$0.1 trillion
**$133,100,000,000**
- Coal, metal, minerals
- Oil & gas extraction

**Agriculture, forestry, & fishing**

$0.1 trillion
**$134,300,000,000**
- Agricultural services, forestry, and fishing
- Farms

**Construction**

$0.5 trillion
**$461,300,000,000**

**Wholesale Trade**

$0.7 trillion
**$696,800,000,000**

The selling of goods to merchants; usually in large quantities for resale to consumers.

**Transportation & Public Utilities**

$0.8 trillion
**$809,300,000,000**
- Electric, gas, & sanitary services
- Communications
- Transportation

**Retail Trade**

$0.9 trillion
**$887,300,000,000**

The selling of goods to consumers; usually in small quantities and not for resale.

**Government**

$1.2 trillion
**$1,217,000,000,000**

**Federal**
Expenditures only (i.e. money spent for goods or services)

**State & local**
Expenditures only (i.e. money spent for goods or services)

Transfer payments (i.e. Social Security, interest paid on the debt, unemployment compensation, veteran's benefits etc,) are not included in order to prevent double counting. For example if someone receives a Social Security check and spends it on new clothes, that money would be counted under **Manufacturing**, **Wholesale** and **Retail Trade** not Government.

**Manufacturing**

$1.5 trillion
**$1,520,300,000,000**

**Nondurable goods**
Consumer goods that are destroyed by use

for example:
food
tobacco
textile
chemicals
rubber
paper
printing and publishing

**Durable goods**
Consumer goods that are **not** destroyed by use

for example:
lumber
furniture
stone, clay and glass
motor vehicles
instruments
electronics
metal products

Improvements in the technology of computer manufacture are often reflected in enhancements in model specification, rather than in reductions in prices or in greater output of the same machines. As a result, it is very difficult for the current measurements of GDP to capture these improvements.

**Finance, Insurance, & Real Estate**

$3.0 trillion
**$1,976,700,000,000**
- Other Investment and financial institutions
- Security and commodity brokers
- Insurance
- Depository institutions (i.e. banks)
- Real Estate
  Does not include **Construction**

**Services**

$2.1 trillion
**$2,116,400,000,000**
- Personal
- Membership organizations
- Social
- Educational
- Hotel and other lodging places
- Amusement, recreation and motion pictures
- Auto repair, parking and other repair services
- Legal
- Other services
  Commercial activity involved in a performance of duties rather than tangible goods.
- Business
  For example, when one company hires another company to handle its payroll, this is a business service.
- Health

US Gross Domestic Product (GDP) by Industry from Bureau of Economic Analysis
Department of Commerce

Gross Domestic Product (GDP) from Central Intelligence Agency
*CIA Factbook 2001*