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).1 (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 1970.2 The market-rate GWP, which is based on actual monetary terms, grew 4.8 percent to $43.9 trillion.3

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

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 2005.9 This comparatively slow growth was mainly due to weak domestic demand.10 China, which produced 14 percent of the GWP in 2005, grew at a rapid 7.8 percent.11 Much of China's growth came from rapid expansion in its manufacturing exports, combined with a slowdown in its import growth.12 Japan—7 percent of the global economy—grew by 2.6 percent, primarily due to strong consumer demand and a strengthening labor market.13

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

Per capita GWP also grew in 2005, to $9,233 per person.18 (See Figure 2.) Yet because world population increased by 74 million, per capita growth was only 3.4 percent.19 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 $31,466.20 In China, though, GDP per person was $6,194, in India it was $3,335, and in sub-Saharan Africa it was only $2,075.21

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.22 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.23

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.24 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.25 While GDP per capita grew by 79 percent between 1972 and 2002, the GPI grew just 1 percent.26 (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.27 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.
Global Economy Grows Again

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

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<th>Year</th>
<th>Total (trill. 2005 dollars)</th>
<th>Per Capita (2005 dollars)</th>
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Source: IMF.

Source: Redefining Progress.
11. DOE, op. cit. note 6.
16. Ibid.
17. Ibid.
20. IRN, op. cit. note 12.

ENERGY PRODUCTIVITY GAINS SLOW (pages 48–49)

2. IMF, op. cit. note 1; BP, op. cit. note 1.
4. IMF, op. cit. note 1; BP, op. cit. note 1.
5. BP, op. cit. note 1.
11. BP, op. cit. note 1.
13. Ibid.
14. Ibid.
17. BP, op. cit. note 1.
20. IMF, op. cit. note 1; BP, op. cit. note 1.
21. IMF, op. cit. note 1; BP, op. cit. note 1.
23. IMF, op. cit. note 1; BP, op. cit. note 1.

GLOBAL ECONOMY GROWS AGAIN (pages 52–53)

1. International Monetary Fund (IMF), World Economic Outlook Database (Washington, DC: September 2005). Note the 2005 figure is a preliminary estimate from September 2005 and is subject to change.
2. IMF, op. cit. note 1.
3. Ibid.
4. Ibid.
6. Ibid.
7. Ibid.
10. Rajan, op. cit. note 5.
11. IMF, op. cit. note 1.
16. Population data from U.S. Bureau of the Census, International Data Base, electronic database,


3. Ibid.

4. Ibid.


6. Ibid. Note: the percentages in this paragraph use $394 billion as the total for major media ad spending, as $10 billion was in undifferentiated spending.

7. ZenithOptimedia, op. cit. note 5.

8. Ibid.

9. Ibid.

10. Ibid.

11. Ibid.

12. Ibid.

13. Ibid.


18. Ibid.

19. Ibid.


21. Ibid.


STEEL OUTPUT UP BUT PRICE DROPS (pages 56–57)

