



THE WORLD ECONOMY

The Basic Principles of Economic Development

The world economy can be evaluated in various ways, depending on the model used, and this valuation can then be represented in various ways (for example, in 2006 US dollars). It is inseparable from the geography and ecology of Earth, and is therefore somewhat of a misnomer, since, while definitions and representations of the "world economy" vary widely, they must at a minimum exclude any consideration of resources or value based outside of the Earth. For example, while attempts could be made to calculate the value of currently unexploited mining opportunities in unclaimed territory in Antarctica, the same opportunities on Mars would not be considered a

part of the world economy -- even if currently exploited in some way -- and could be considered of latent value only in the same way as uncreated intellectual property, such as a previously un-conceived invention. Beyond the minimum standard of concerning value in production, use, and exchange on the planet Earth, definitions, representations, models, and valuations of the world economy vary widely. It is common to limit questions of the world economy exclusively to Human economic activity, and the world economy is typically judged in monetary terms, even in cases in which there is no efficient market to help value certain goods or services, or in cases in which a lack of in-

dependent research or government cooperation makes establishing figures difficult. Typical examples are illegal drugs and prostitution, which by any standard are a part of the world economy, but for which there is by definition no legal market of any kind.

However, even in cases in which there is a clear and efficient market to establish a monetary value, economists do not typically use the current or official exchange rate to translate the monetary units of this market into a single unit for the world economy, since exchange rates typically do not closely reflect world-wide value, for example in cases where the volume or price of transactions is closely regulated by the government. Rather, market valuations in a local currency are typically translated to a single monetary unit using the idea of purchasing power. This is the method used below, which is used for estimating worldwide economic activity in terms of real US dollars. However, the world economy can be evaluated and expressed in many more ways. It is unclear, for example, how many of the world's 6.5 billion people have most of their economic activity reflected in these valuations.

World Economy in 1998-2005. Growth in global output (gross world product) (GWP) (in this article defined as GDP converted to US dollars through estimated purchasing power parity exchange rates) fell from 4.8% in 2000 to 2.2% in 2001 and 2.7% in 2002. The causes: sluggishness in the US economy (21.6% of GWP) and in the EU economy (21.4% of GWP); continued stagnation in the Japanese economy (7.0% of GWP); and spillover effects in the less developed regions of the world.

China, (12% of GWP), proved an exception, continuing its rapid annual growth, officially announced as 8% but estimated by some observers as perhaps two percentage points lower. India maintained a growth rate of around 6%, and its economic liberalisation pushed it forward into a modern economic superpower. Russia (2.6% of GWP),

with 4% growth, continued to make uneven progress, its GDP per capita still only one-third that of the leading industrial nations. The developing nations also varied in their growth results, with many countries facing population increases that erode gains in output. Also, since 2003, the economies of the U.S and Japan have been speeding up.

Externally, the nation-state, as a bedrock economic-political institution, is steadily losing control over international flows of people, goods, funds, and technology. The euro as the common currency of much of Western Europe in January 1999, while paving the way for an integrated economic powerhouse, poses economic risks because of varying levels of income and cultural and political differences among the participating nations. Growth in global output (gross world product, GWP) rose to 3% in 1999 from 2% in 1998 despite continued recession in Japan, severe financial difficulties in other East Asian countries, and widespread dislocations in several transition economies, notably Russia. The U.S. economy continued its remarkable sustained prosperity, growing at 4.1% in 1999, and accounted for 21% of GWP. Western Europe's economies grew at roughly 2%, not enough to cut deeply into the region's high unemployment; the EU economy produced 22% of GWP. India's economic growth continued at around 6%. China continued its strong growth and accounted for 12% of GWP. Japan grew at only 0.3% in 1999; its share in GWP is 7%. The developing nations varied widely in their growth results, with many countries facing population increases that eat up gains in output.

World Economy in Brief

Main economic Indicators

- GDP (GWP) (gross world product): (purchasing power parity exchange rates) - \$59.38 trillion (2005 est.), \$51.48 trillion (2004), \$49 trillion (2002)
- GDP (GWP) (gross world product) (IMF 179 countries [2]): (market exchange rates) - \$43.92 trillion (2005 est.), \$40.12 trillion (2004), \$32.37

trillion (2002)

- GDP - real growth rate: 4.3% (2005 est.), 3.8% (2003), 2.7% (2001)
- GDP - per capita: purchasing power parity - \$9,300 (2005 est.), \$8,200 (92) (2003), \$7,900 (2002)
- GDP - composition by sector: agriculture: 4% industry: 32% services: 64% (2004 est.)
- Inflation rate (consumer prices): developed countries 1% to 4% typically; developing countries 5% to 60% typically; national inflation rates vary widely in individual cases, from declining prices in Japan to hyperinflation in several Third World countries (2003)
- Derivatives outstanding notional amount: \$273 trillion (end of June 2004), \$84 trillion (end-June 1998) ([3])
- Global debt issuance: \$5.187 trillion (2004), \$4.938 trillion (2003), \$3.938 trillion (2002) (Thomson Financial League Tables)
- Global equity issuance: \$505 billion (2004), \$388 billion (2003), \$319 billion (2002) (Thomson Financial League Tables)
- Unemployment rate: 30% combined unemployment and underemployment in many non-industrialized countries; developed countries typically 4%-12% unemployment.

Industries

Industries: dominated by the onrush of technology, especially in computers, robotics, telecommunications, and medicines and medical equipment; most of these advances take place in OECD nations; only a small portion of non-OECD countries have succeeded in rapidly adjusting to these technological forces; the accelerated deployment of new industrial (and agricultural) technology is complicating already grim environmental problems. Industrial production growth rate: 3% (2002 est.) Energy

- Yearly electricity - production: 15,850,000 GWh (2003 est.), 14,850,000 GWh (2001 est.)

- Yearly electricity - consumption: 14,280,000 GWh (2003 est.), 13,930,000 GWh (2001 est.)
- Oil - production: 79.65 million bbl/day (2003 est.), 75.46 million barrel/day (12,000,000 m³/d) (2001)
- Oil - consumption: 80.1 million bbl/day (2003 est.), 76.21 million barrel/day (12,120,000 m³/d) (2001)
- Oil - proved reserves: 1.025 trillion barrel (163 km²) 37257
- Natural gas - production: 2,569 km² (2001 est.)
- Natural gas - consumption: 2,556 km² (2001 est.)
- Natural gas - proved reserves: 161,200 km² (1 January 2002)

World Trade

- Yearly exports: \$6.6 trillion (f.o.b., 2002 est.)
- Exports - commodities: the whole range of industrial and agricultural goods and services
- Exports - partners: US 17.4%, Germany 7.6%, UK 5.4%, France 5.1%, Japan 4.8%, China 4% (2002)
- Yearly imports: \$6.6 trillion (f.o.b., 2002 est.)
- Imports - commodities: the whole range of industrial and agricultural goods and services
- Imports - partners: US 11.2%, Germany 9.2%, China 7%, Japan 6.8%, France 4.7%, UK 4% (2002)
- Debt - external: \$2 trillion for less developed countries (2002 est.)

Communications

- Telephones - main lines in use: 843,923,500 (2003)
- Internet Service Providers (ISPs): 10,350 (2000 est.)
- Internet users: 1,018,057,389 (January 2006 [4] est.), 604,111,719 (2002 est.)