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GDP

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I. INTRODUCTION

GDP or Gross Domestic Product is the total market value of goods and services produced by a country in a specified time. It measures the income from that production or the total amount spent on final goods and services (less imports).

GDP= C+I+G+NX
Where:
C= Consumption. (expenditures by households and non-profit organisations)
I= Investment business. (expenditures by businesses and home purchases by households)
G= Government spending. (expenditures on goods and services by the government)
NX= Net Exports. (nation's exports minus its imports.)
This is called the expenditure approach. GDP can also be calculated using production or incomes. It can be adjusted for inflation and population.

II. BASICS OF GDP

A. How do we know India's GDP?

Each country prepares and publishes its own GDP regularly. In addition, international organisations like the World Bank and the International Monetary Fund (IMF) periodically publish and maintain historical GDP data for many countries.
In India, each year, the **MoSPI** (the Ministry of Statistics and Programme Implementation) releases 4 quarterly GDP updates. This helps in understanding the current health of the Indian Economy.
The entire responsibility of calculating GDP in India is with the Central Statistics Office under the MoSPI.
India is the world's 6th largest economy by nominal GDP and the 3rd largest by **Purchasing Power Parity (PPP).**

B. What is a boom? What is a recession?

When a country experiences growth in GDP, it is considered economic expansion or economic boom. If GDP declines it is called a recession or economic bust.

III. TYPES OF GDP

1) *Nominal GDP:* This is an assessment of the economic production in an economy with current prices in its calculation, In other words, it doesn't strip out inflation or rising of prices. Nominal GDP is used when comparing different quarters of output in the same year.
2) *Real GDP:* This is calculated using GDP price deflator, which is the difference in prices between current year and the base year. For example, if prices rose by 5% since the base year, then the deflator would be 1.05. Nominal GDP is divided by this deflator to get Real GDP.
3) *GDP per Capita:* This shows how much economic production value can be attributed to each individual. This also translates to the overall national wealth since GDP market value per person also serves as a prosperity measure. If a country has a high per capita GDP but a small population, it means they have built up a self-sufficient economy. But GDP per Capita doesn't tell how expensive it is to live in a country,
4) *GDP Purchasing Power Parity (PPP):* This shows how a country's GDP measures up in "international dollars".

IV. GDP, GNP AND GNI

Although GDP is widely used, there are other metrics also to measure a country's economic growth.
1) GNP (Gross National Product) is the measurement of the overall production of people or corporations native to a country including those based abroad, GNP excludes domestic production by foreigners.
2) GNI (Gross National Income) is the sum of all income earned by citizens of a country in that country or abroad. The relationship between GNP and GNI is similar to the relationship between the production and income approach. With GNI, the income of a country is calculated as its domestic plus its indirect business taxes and depreciation (and net foreign factor income). Globalisation has made GNI a better metric.

3) Purchasing power parity (PPP) compares how many goods and services an exchange-rate-adjusted unit of money can purchase in different countries.

V. DRAWBACKS OF GDP

A. It ignores the value of informal or unrecorded economic activity- GDP relies on recorded and official data. GDP cannot account for under-the-table employment, underground market activity, or unpaid volunteer work.
B. It is geographically limited in a globally open economy- GDP does not take into account profits earned in a nation by overseas companies that are remitted back to foreign investors, This can overstate a country's actual economy,
C. It emphasises on material output. Overall well-being, environmental impact or income disparity are not taken into account.
D. GDP only considers final goods production and new capital investment and not intermediate spending and transactions between businesses. Unproductive or even destructive activities are also routinely counted as economic output to growth in GDP.

VI. COUNTRIES WITH HIGHEST GDP

USA and China.

VII. IS HIGH GDP GOOD?

Most people perceive high GDP as good. But it is possible a country may still be unattractive to live as the wealth may be concentrated in the hands of a wealthy few. In such cases, the Human development index (HDI) is checked.

VIII. HOW CAN INDIA ACHIEVE HIGH GDP?

India will soon become the world's fastest growing large economy. Chinese economy had grown faster but China faces many problems. Their property sector is struggling due to tighter policies. They have a big energy crisis. The Chinese government has imposed many restrictions on their tech companies.

IX. CONDITIONS FOR HIGH GROWTH

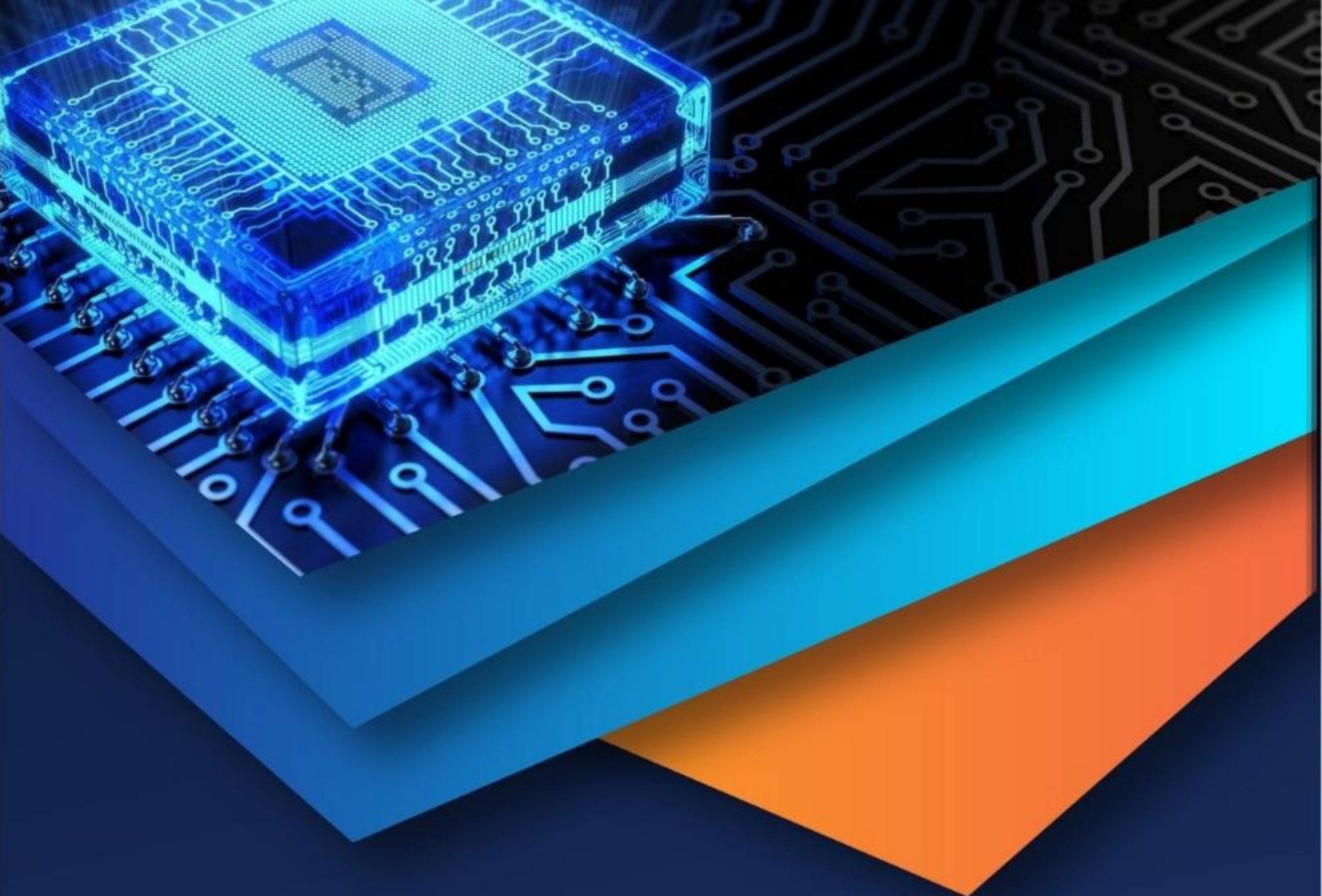
A. Increase consumer demand.
B. Increase investment.
C. Free private sector.
D. Manage savings well.
E. Increase income for farmers.
F. Urbanising rural population.
G. Promote migration to city areas by providing better infrastructure.
H. Becoming competitive in high potential sectors like manufacture of electronics, chemicals, textiles, auto goods and pharmaceuticals.
I. Increasing the manufacturing labour force.
J. Curbing the money spent on foreign products.
K. Creating more jobs.
L. Import less. Export more.
M. Boost manufacturing sector not just assembling sector.
N. Promote innovation.

X. GDP AND DATA FUDGING

Quite a few countries are blamed for data fudging or manipulating the GDP data to attract Foreign Investment or mislead people. They may also be genuine discrepancies or just conspiracy theories doing rounds.

XI. CONCLUSION

In India, the Government and various institutions and research centres are trying to develop business hubs and start-ups. But, there is still a lot of scope. I agree that money can't buy happiness but it is a means to provide happiness. Poverty rate should also be considered.



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