Defining Wealth

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What is Wealth?

Examples of Personal Wealth

Material Wealth

Possessions:

- Cars

- Houses

- Clothes

- Assets

- Think QUANTITY

Non-material Wealth

- Health

- Relationships

- Values

- Beliefs

- Happiness

- Think QUALITY

How Do We Measure a Nation's Wealth?

Gross Domestic Product

Gross Domestic Product

"GDP is the **market value** of all **final goods and services** produced **within a country** in a given **period of time**."

Gross Domestic Product

- *The final count of how much money a country made from selling its **goods** and **services***

- *Used to determine the **SIZE** and **HEALTH** of the economy at a point in time*

Breaking down GDP…

*We can define **GDP** by looking at the following terms entirely…*

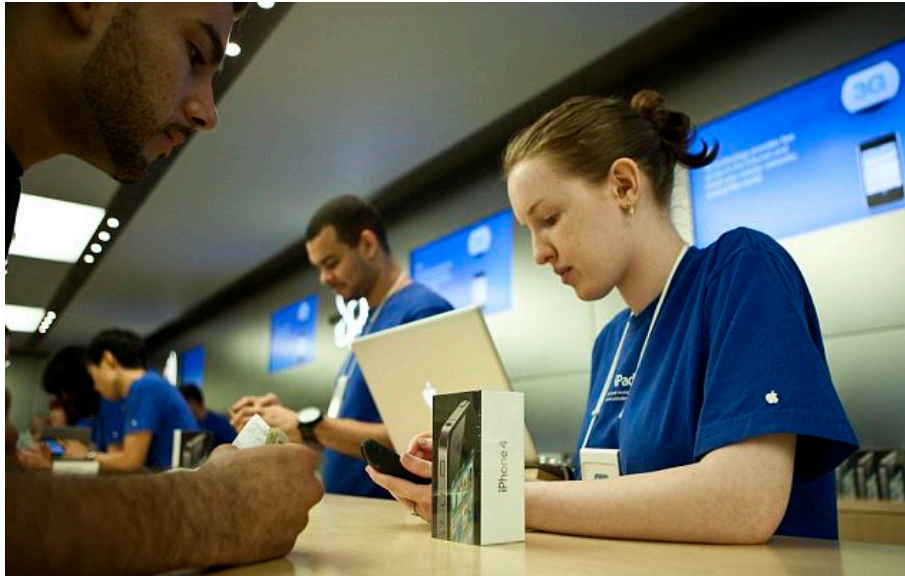*Let's use Apple as an example.*

Breaking down GDP...

Goods: something you can see, use, and hold (tangible items)

Breaking down GDP…

Services: something done for someone else (intangible)

Breaking down GDP...

Final Good and Service: the end product being sold to a consumer (customer)
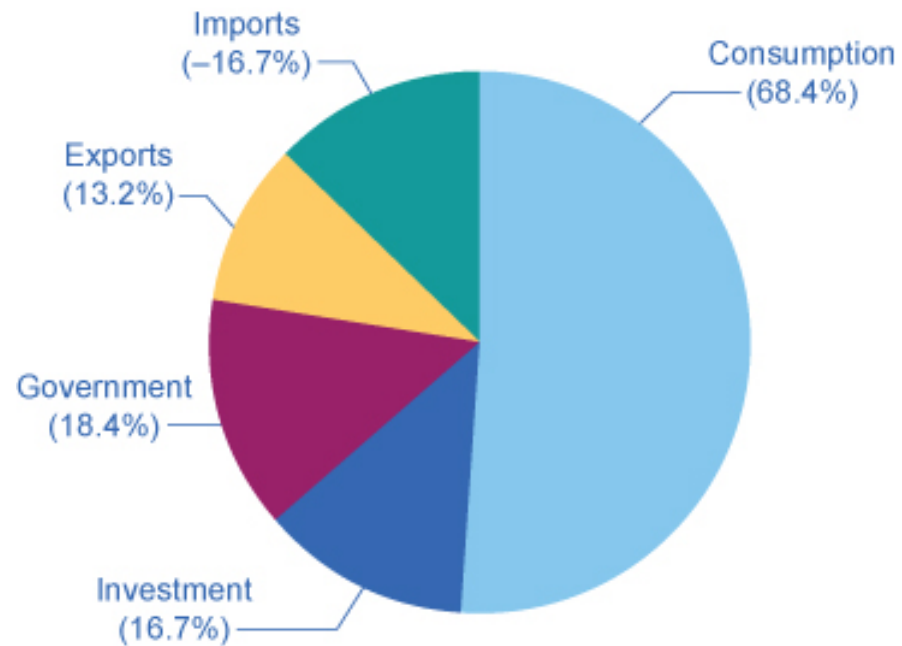
Breaking down GDP...

Market Value: how much the final good or service charged and sold for in the marketplace (e.g. price)

Breaking down GDP...

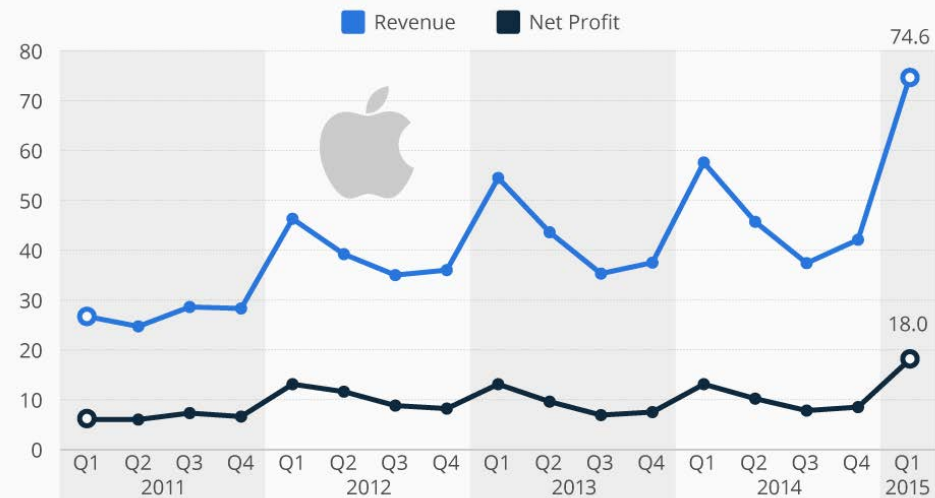*Within a country:* everything made inside a state's geographic boundaries

Breaking down GDP…

Period of time: usually reported quarterly (every three months)

Apple's Historic Quarterly Earnings
Apple's revenue/net profit per business quarter (in billion U.S. dollars)

Per Capita GDP

GDP per Capita is sometimes a more accurate representation of a state's wealth

GDP per Capita: $\dfrac{\text{GDP}}{\text{Total Population}}$

GDP per capita literally means GDP "per head" and is good for comparing countries

What Does GDP Not Measure?

Standard of Living

Standard of Living: the level of wealth, comfort, material goods and necessities available to a certain socioeconomic class or a certain geographic area

Standard of Living

Based On:

1. Income

2. Employment opportunities

3. Poverty

4. Costs of goods and services

5. Life expectancy

6. Climate

Quality of Life

Quality of Life: the subjective standard of health, comfort, and happiness experienced by an individual or group

Quality of Life

In the *Universal Declaration of Human Rights* the UN considered the following when evaluating quality of life:

- Freedom from slavery and torture

- Equal protection under law

- The right to privacy and to marry

- The right to have a family and vote

Things that make life *meaningful*

- Happiness level

- Quality education

- Lasting friendships

Quality of Life

The Human Development Index (HDI): a measure of average achievement in 3 key dimensions of human development

Health	Education	Living Standard
Life expectancy at birth	Average years of schooling	A decent standard of living
Availability of physicians	Expected years of schooling	GDP per Capita

What is NOT part of GDP?

Unpaid Duties

- Stay-at-home parents
- Work that is not paid (e.g. helping out at a parent's office, mowing the lawn, cleaning your room)

Unreported Activities

- Underground economy ("under the table" work)
- Illegal activities (narcotics trade, black market arms deals)
- Reselling items (garage sales)

Problems with GDP

GDP doesn't measure:

- *Health of the environment*

- *Cost of living*

- *Equity/Income Distribution (Recall the GINI Index)*

- *Happiness*

Can you define these key terms?

1. Domestic Product
2. Good
3. Service
4. Standard of Living
5. Quality of Living
6. Per Capita GDP
7. FINAL Good or Service
8. 2 Measurements of Welfare
9. Material vs NON-material Wealth
10. Market Value vs TOTAL Market Value