Defining Wealth

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What is Wealth?
## Examples of Personal Wealth

<table>
<thead>
<tr>
<th>Material Wealth</th>
<th>Non-material Wealth</th>
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</thead>
<tbody>
<tr>
<td><strong>Possessions:</strong></td>
<td><strong>Health</strong></td>
</tr>
<tr>
<td>• Cars</td>
<td>• Relationships</td>
</tr>
<tr>
<td>• Houses</td>
<td>• Values</td>
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<tr>
<td>• Clothes</td>
<td>• Beliefs</td>
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<tr>
<td>• Assets</td>
<td>• Happiness</td>
</tr>
<tr>
<td>• Think QUANTITY</td>
<td>• Think QUALITY</td>
</tr>
</tbody>
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How Do We Measure a Nation’s Wealth?
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
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

- Consumption (58.4%)
- Government (18.4%)
- Investment (16.7%)
- Exports (13.2%)
- Imports (-16.7%)
**Period of time:** usually reported quarterly (every three months)
Per Capita GDP

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

\[
\text{GDP per Capita: } \frac{\text{GDP}}{\text{Total Population}}
\]

**GDP per capita** literally means GDP “per head” and is good for comparing countries.
What Does GDP Not Measure?
**Standard of Living**: 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**
  - Life expectancy at birth
  - Availability of physicians

- **Education**
  - Average years of schooling
  - Expected years of schooling

- **Living Standard**
  - A decent standard of living
  - 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