

# The gdp growth and gdp per capita of united states and vietnam essay sample

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## Abstract

The gross domestic product also known as gross domestic income is a measure that is basically use to gauge the performance of an economy and it is defined as the value of the final products of the market and also the services that are produced by a country within the borders in a given year. It can be defined in three broad categories which are in the real sense identical and one of the definitions is that it is equal to the country's final goods and services expenditure for a period of time which is usually a year. Secondly, it can be defined as total of the value added during the various stages of production by the industries of any given country. Thirdly, it can also be defined as the total amount of income that the country has derived from production (Walter, 2007).

## Introduction

Gross domestic product can be measured through a method known as expenditure method: *GROSS DOMESTIC PRODUCT = Consumption + investment + Government Spend + (Exports - Import)* which is denoted by the formula  $GROSS\ DOMESTIC\ PRODUCT = C + I + G + (X - M)$ . (Margaret, 2005).

When calculating the GROSS DOMESTIC PRODUCT of a given country, economists have been using two major approaches which are private consumption and government consumption. Private consumption is mainly used as a major concern of the welfare economics and to this effect the private investment as well as the commercial portions of the country is

eventually tied with the increment of the private consumption in the long-term period. Government consumption is treated as an exogenous variable and this means that the different spending by governments is very significant in any macroeconomic framework (Charles, 2001).

Per capita is a term that is mostly used in the statistics and means the average person. In the field of economics, the major concern of per capita is the income that an average person in any given economy has.

The United State's economy is the world's largest economy with a gross domestic product estimated at 13. 8 trillion dollars as at the year 2009. The United States economy has maintained a high per capita output level with the year 2008 estimates being \$46, 800 and at that year the United States was ranked as the tenth in world per capita output in the world. The United States economy has also been very successful in stabilizing the gross domestic product of the country and this is enhanced by a very low rate of unemployment, capital investment and research in investment. These are funded by the government and foreign investment because the rates of savings have been decreasing. The country's economic activities are highly funded by consumer activities and this can be evidenced by the fact that in the year 2008, consumers contributed seventy two percent of the activities accrued to the economy (Charles, 2001).

However, there are some concerns of the United States economy and one of the major concerns is the external debt. There are other concerns such as corporate debt, low savings rate, mortgage debt, falling prices of houses,

withdrawals from baby boomers from their social security accounts and yet they have no entitled liabilities and a deficit of the current account. By the year 2008, the United States was in debt to foreign sources of over 13.6 trillion United States dollars, the highest all over the world. However, the economy of the United States is the largest in the world and is one of the most developed economies in the world (Alessandro, 2008).

On the other hand, the economy of Vietnam is a developing economy. It is important to note that Vietnam was one of the most thriving agricultural centers of the world throughout history and also had a very influential commercial ports such as the Hoi An and Pho Hien. Over the last two decades, the economical outlook of Vietnam has shifted from central planning to one that is oriented to the socialist and a mixed market economy during a period popularly known as Doi Moi Vietnamese for renovation. The economy of Vietnam over the period of renovation has experienced a very rapid growth. Currently, the economy of Vietnam is gradually integrating into the global economy and this can be rooted to the concept of globalization. However, it is important to note that the economy is dominated by Small and Medium Enterprises (SMEs) which are marked by some trademarks of national outlook which include such trademarks as Trung Nguyen, VNPT, Khanh Do and Vinamilk, the country is also emerging as one of the world's most notable agricultural producer and exporter and also it has been very attractive to foreign investment.

Historically, the United States economy has been one of the most developed and this can be accrued to the fact that it was started on a sound footing

after being colonized by Great Britain which at that time was the world's most powerful economy. The basis of the economy of the United States was further developed by the fact that the initial government undertook it as its major priority to ensure that the country was economically stable and it did not hold anything back in its protection of the economy. The major aspect of any economy is trade and the government of the United States from its independence have ensured that trade is highly protected even if it means employing military offensives to some parties that were hindering the merchants from the United States from safely doing their deals. It is important to note that the first navy force of the United States was established to protect the American ships which were being attacked by pirates in the Pacific Ocean.

With such a sound backing from the government and also the government assuring protection for the traders of the country, the economy was bound to develop to its present stature. This is because the traders were motivated to continue their trade even in times of wars because the government had assured protection to them. This means that the government even during the two World Wars had been protecting their trading and this can explain the fact that the United States could afford to give the war torn European countries financial aid to restore their economies.

However, with Vietnam, almost the extreme opposite can be said. While the government of the United States is protecting the traders or in latter days, investor, the Vietnam government is doing the exact opposite and instead of protecting their interests, it is limiting the potential of the investors.

Historically, the Vietnamese economy relied heavily on the sector of agriculture and this was very beneficial to the economy. However, the government's policy of controlling the economical activities of the country was very destructive to the economy and this can be attributed to the fact that the country needed to have some freedom when the economy is concerned. However, Vietnam or rather the Vietnamese government did not offer the investors the protection but rather they sought to contain the activities and also control all aspects of the economic activities in the country. This is why the economy of Vietnam was greatly destructed and this means that the government needs to address some economic reforms so as to ensure that the economy is doing well as other economies in the same region.

Another important aspect to note is that the United States attained its independence more than two hundred years ago. It is important to note that most of the developed economies had attained their independencies a number of centuries ago or they had never been colonized in the first place a good example being the European countries which had never been colonized. With such a long time for the country to plan its own economy and identify the weak points and the strong points of the economy, the economy is bound to develop to such magnitudes as it is being witnessed today. With more than two hundred years of independence, the economy of any country is bound to have developed. However, on the part of the United States, we can say that the country's policies have also played a very important part as

well as the government being able to formulate and implement favorable policies to the economy, which some countries have not been able to do so.

However, on the part of Vietnam, it can be said to be still a young country and it has achieved its independence from France after the Second World War. This country is yet to recognize its economies weak points and strong points and hence the undeveloped economy. This means that the economy of Vietnam cannot be said to be developed and hence the reason why Vietnam is exporting a lot of raw products while the United States is exporting a lot of the finished and manufactured products.

Another important element to look at is the countries' stability. The United States has been a stable country for a very long time and after the American Civil War, there have never been any conflict within the borders of the United States. On the other hand, Vietnam has been marred a history marked with internal conflict and also external conflict. It has been attacked by United States in the infamous Vietnam War and this has led to the fact that the economy of the country cannot have stabilized after it had just gained independence and then started its own internal conflicts and also the international conflicts which feted such countries as China, Russia and the United States.

#### Literature review

One of the outstanding features of the United States economy is the fact that the government has afforded economic liberalization to the private sector and this has enable the private sectors to be the main decision makers in

matters that concern the economy (Herbert, 1992). To this effect, the private sector is directs the economy in such aspects as decision making and also to the scale and to which direct the country produces. This is enabled by very low government control and a judicial system that properly protects the rights to own property and also ensure that contracts are enforced (Margaret, 2005).

The United States is also very rich in natural resources and a climate that can be described as moderate. It is also endowed with coastlines which are extensive and they are on the Pacific Ocean, Atlantic Ocean and the Gulf of Mexico (Herbert, 1992). There are also a large number of rivers flowing within the country and a number of big lakes and this means that the agricultural sector of the economy is well endowed with the resources to make it a thriving segment of the economy of the United States (Charles, 2001). The coastlines have played a very important role in ensuring that the country has enough access for shipping products in and out the country (Charles, 2001). One of the major contributors of the country's economy is the waterways which are abundant and they are also important because they have helped the states that make up the country to be united from past times in history and also help them act as a single economic unit (Alessandro, 2008).

Another important aspect of the economy of the United States is the human resource and it is important to note that the unemployment levels of the country and the people's productivity is very influential in the determination of the health of the country. The country has been enjoying a very stable



growth of the labor force which has been one of the reasons for the country's economic success and expansion. However, many of the workers in the United States have been of European origin and this has been the trend from the Second World War until the financial crisis of the year 2007 – 2008. Others have been African Americans, Latin Americans and Asians. Since the country has been promising very high wages, there have been an influx of immigrants from other regions of the world as well. However, the country has a well organized labor mobility which has created capacity for new immigrants to join in the country's labor force (Alessandro, 2008).

The corporation is seen as an association of owners who are also referred to as the stockholders and they form a company which is governed by rules which are complex in nature and also some set customs (Herbert, 1992). This trend of economic activities was initiated by the process of mass production and various corporations in the United States like the General Electric have been very instrumental in shaping the economy of the country. There is also the aspect of the stock market whereby the financial institutions of the country have increased their economic revenue by first investing and then withdrawing from the corporations which are successful or have been successful but are not failing (Alessandro, 2008). Globalization has also played a very important role and the investors from the United States have used this aspect to be very influential all over the world. The government has invested in the economy and this can be evidenced by the fact that the government has been producing cheap electricity from various

projects like the Hoover Dam and also have been contracting the military during wars (Charles, 2001).

While the producers and the consumers have been the major decision makers that have mold the country's economy, the government is also very instrumental in the economy of the country and this can be noted in four areas. With the onset of the progressive movement, the government started being a major factor in the economy from early 1900s and this can be evidenced by the increased regulation from the government. Before the progressive movement, the government protected the economy by use of favorable subsidies and tariffs and also promoted the industry through the construction of infrastructure. It control of the activities accrued to the economy was also felt through establishing and implementing banking policies and also the gold standard and this was done to encourage internal investment and saving as well as promote an industry which would be productive (Herbert, 1992).

Vietnam was established on the foundation of agricultural civilization and this can be said to be the cause why the feudal dynasties made agriculture the main issue of the country. There were regulations on land ownership and this was regulated in a systematic way. It was also due to this holding of agriculture in high esteem that the dynasties sent their soldiers to work on the farms during peace time (Charles, 2001). However, after the 16<sup>th</sup> century, the ideology of Confucianism was not felt in the same way it had been felt in Vietnam and this led to the fact that the country was not influenced anymore by Confucianism. Many commercial ports of the early

Vietnam which were busy were restrained and this was a measure to reduce the threat of foreigners who had ambitions of attacking and also possessed different cultures from the Vietnam people. This eventually led to the economy of Vietnam stagnating and this can be seen as one of the reason that the country became a colony of the French Republic (Alessandro, 2008).

The greatest resource of the Vietnamese economy is the literate and also significantly energetic population. Just like the United States, it also has a very extensive coastline and this has afforded the country a number of excellent harbors and also unlimited access to the resources that can be found in the marine. The coastline is also very important because it also provides various beaches and scenic beauty which has played a very important role in boosting tourism in the country (Charles, 2001). However, there exist a potential for the development of the economy of the country and this is the endowment of the country with various natural resources. However, the utilization of these natural resources has been hindered by the undeveloped infrastructure the country has (Jerry, 2003). Population growth has also been problematic to the utilization of the country's resources which is also coupled by environmental degradation and also a rising demand in the domestic which ensures that Vietnam is one of the poorest countries in the Asian region as well as in the world (Conrad, 1997).

The period between the years 1954 – 75 the country was divided and at that time there existed three layers to the economy of the country. One of the layers was the bottom layer which was involved in rice cultivation (Charles, 2001). The other layer was the middle layer which highly characterized by

mining and plantations in the north and south respectively (Alessandro, 2008). The third layer was the top layer and this was the creation of the war and this layer was highly characterized by the Soviet and Chinese aid which was at a large scale in the north while south benefited from American aid which was also substantial (Beresford, 2006). The north had land reforms in the years 1955 – 1956 and this was followed by collectivization of the sectors of agriculture and handicrafts (Jerry, 2003). The investments that were made by the government promoted heavy industry and this had a very negative impact on agriculture because the government encouraged heavy industry at the expense of handicrafts, agriculture and the light industry which had been the main economic activities of the country (Conrad, 1997).

While heavy industry was developing the efficiency was not quick to catch up and hence the poor quality of the products the country produced. In addition, development of the heavy industry was greatly and negatively affected by the non-performing agricultural, handicraft and light industries sectors (Jerry, 2003). However, the aid from the socialist countries helped in masking many of the country's deficiencies.

At around the same period, the south embraced some aspects of the United States economic policies and this can be evidenced by the fact that the south economy was founded on free enterprise although there was significant ownership by the government to various industrial enterprises (Charles, 2001). This led to the thriving of the agricultural sector in such areas as the Mekong delta and this can be attributed to the fact that the infrastructure was developed the by the private sector which was also

responsible for the development of the trade in the region (Alessandro, 2008). The standard of living was generally higher in the south when compared to the standard of living in the north.

When the country was reunified again, the model that had been used for development in the north was imposed even to the south (Robert, 2000). However, the efforts of the government to collectivize the sector of agriculture were met with some significant resistance and the same happened when the government tried to bring the socialist ideology to the commercial sector of the country (Jerry, 2003). These resistances were mostly noted in the south towns and cities and also in the Mekong delta. This can be attributed to the fact that most of the residents of these areas were middle class farmers who were also self sufficient (Margaret, 2005).

The country also underwent through a great loss of the labor force and this can be attributed to the fact that many people who were educated left the country after the war in 1975 while hundred of thousands more who were affiliated to the United States were imprisoned by the government and still others who were not well educated but were politically incorrect were settled in remote areas (Charles, 2001). The Chinese ethnics would also leave the country after the government went into loggerheads with the Chinese government politically. The budget would also be worsened by the fact that a large expenditure budget was given to the military as well as the police and other law enforcement forces. This move also deteriorated the economy because the country's resources were diverted from the productive enterprises (Alessandro, 2008).

The above factors when also combined with poor management of the programs that are run by the state, the country's economy was heading for a crisis. This led to the food production falling and also the income per capital dropped. It also led to the fact that there were shoddy consumer goods which were very expensive and were at all times in short supply (Jerry, 2003). The government sought to counter this by some reforms in the year 1979 and basic changes began in the years 1986. This precipitated the government ensuring that the economy was drifting from state-controlled and also centrally planed economy which was also highly subsidized to an economy that used the forces of the market and also there were some incentives introduced and also some tolerated investment from the private sector although there is still control and regulation from the government. This ensured that the country's food and products improved and this eventually led to the exports increasing (Margaret, 2005).

## Methodology

This research got information from primary sources and also secondary sources. The primary sources included government documents and government publishes while the secondary sources include written materials, books, journals and internet websites. All these sources and materials pertain to the study of the gross domestic product of the United States and the gross domestic product of Vietnam.

## Analysis

When the gross domestic product per capita of the United States of America is compared with the gross domestic product of Vietnam, there is witnessed a lot of differences and this can be attributed to various factors that can be attributed to both historical factors, political factors, social factors and lastly and most importantly the economical factors. It is important to note that while the United States is a developed economy, Vietnam is a developing economy and this means that the gross domestic product of the United States is higher than that of the Vietnam. However, the per capita production of the United States is also higher than that of Vietnam and this can be attributed to various factors (Jerry, 2003).

It is important to note that while the United States has enjoyed political stability for some time now, Vietnam has been the centre for conflict and this is very destructive to the economical growth of any country. The Vietnam War had a very negative impact on the economy of the country. The splitting after the war helped in worsening a situation that was already bad because with the splitting of the country, the two regions, that is, north and south adopted different approaches to the economic model they would adopt to enhance development. While the south was making some very notable progress, the north was in the opposite going towards the end of the stone wall and the economy almost collapsed. However, with time the country would come back to unite and the last straw to the economy was when the government took up the north models of economic growth and this brought the economy of the entire country to its knees. On the other hand, the United States has enjoyed political stability and has not had internal conflict

for over a century now. This has precipitated a steady growth of the economy as well as the gross domestic product (Beresford, 2005).

The government policies have also played a very major role in the economical differences between the two countries. This can be attributed to the fact that the government of the United States has adopted some economical policies which have helped boost the economy of the country. On the contrary, the government of Vietnam has implemented some policies in the past that have proved to be very harmful to the economy. The issue of government control has been proved to be destructive to the economic growth of any country and this is why some countries like Vietnam have stagnant their economies in the past (Margaret, 2005).

There is also the issue of the labor force and it is the responsibility of the government to ensure that the labor force of the country is fully developed and protected. However, Vietnam has failed in this and this is the reason that the country suffered a great loss of their labor force after the conflict. However, the United States has fully developed its labor force and this can be evidenced by the fact that many of the people in the country have been employed or had been employed until the 2007 -2008 financial crisis (Alessandro, 2008).

The economical sectors that any economy depends on are also very important in the development of the economy and also play a very important part in the gross domestic product and also the per capita product. This is because some sectors are not as beneficial to the economy and may rely on



natural phenomena which cannot be overly be relied on. Vietnam has heavily relied on the agricultural sector which heavily relies on the climate and the rainfall of the area. This means that the country's economy is held at ransom by some natural phenomena and this cannot be at a worse time than when the global environment is highly degrading. This means that the country is also bound to be exporting raw materials which fetch very little income in the international market.

On the other hand the United States has not relied on the agricultural sector although its agricultural sector is very reliable. It has relied on other avenues of earning resources and one of the most important aspect of the United States economy is that it has been able to diversify the economical activities of the country. It has also been able to export manufactured goods and also some services which fetch very good income in the international market. This means that the country economy has not relied on one revenue earner but a number of revenue earners.

Technology is also a very important aspect of the economical growth of any country and hence directly influences any country's gross domestic product as well as the per capita production. The United States is one of the most technologically advanced countries in the world and is ranked with such countries as Japan which is the leading technological country in the world. This means that the United States is able to produce product in masses and this can only be enabled by the incorporation of technology in the country's industrial enterprises. This technology is very important because it also

increase efficiency hence being able to produce high quality goods which are very competitive in the international market.

Vietnam on the other hand has not been able to incorporate the latest technology in its industrial enterprise and this can be rooted as one of the causes of the country not being able to produce finished products. This means that the country is unable to produce competitive products in the international market and hence the slow economical development and the relatively low gross domestic product as well as the low per capita product.

### Results and Conclusions

The gross domestic product of a country like Vietnam in its efforts to develop should ensure that they avoid such things as internal conflicts as this is very destructive to the economy of any country. This can be attributed to the fact that when conflicts are present in the country, they tend to be very destructive of the sectors of the economy such as infrastructure and the existing industries. The conflicts also ensure that the economy is stagnant and that minimum economic activities are taking place in the country (Margaret, 2005).

The government is also responsible for formulating and implementing policies which are best suited for the country's economic development needs. Vietnam has already started doing this and this has seen to it that the country is now experiencing a rapid growth in its economy. However, the United States did this in the past and that is why it is leading economy in the world (Charles, 2001).

The labor force is also very instrumental in the economy of any given country and hence there is the need to protect it and also develop it and increase the mobility of the labor force. This can be done by opening new avenues for employment and also providing such things as education to the people of a country (Beresford, 2006).

The developing countries should also strive to rely on other revenue earners not their natural resources only. This can be attributed to the fact that these countries have been relying on the products from such aspects as agriculture and mining and since these products are determined by natural phenomena, it has been noted that they cannot be entirely depended on by any economy. Especially at this time of when the environmental degradation is at its peak in history, the developing countries needs to look for other avenues because a country like Vietnam can depend on agriculture and at a particular year, the rain fails and hence poor harvests.

The developing countries should also ensure that they produce manufactured goods and also finished products to ensure that they are not exploited by the developed countries. It has been noted that the developed countries import raw materials from the developing countries and then process them into finished products, which is very costly in the market. The most disturbing thing is that the finished products are sold to the developing countries at very exorbitant prices and hence the redundancy of their economies. It is important for any country to strive to at least be producing some manufactured good which can be very useful for the economy. In the same respect, the quality of the goods is a very important aspect to look at

and this means that the country should ensure that it produces quality goods which will be very competitive in the international market.

Another important aspect is that the developing countries need to invest in the latest technology so that the goods the countries produce are competitive in the international market. Since the developed countries are willing to give loans to the undeveloped countries to ensure that the countries can be able to produce competitive goods which also fetch better prices in the international market. The government of the developing countries should ensure that they take advantage of this move by the developed countries to ensure that they can also be able to produce goods which will compete with other products in the international market. Since Vietnam has leaned a lot on agriculture, it could also ensure that the agricultural sector is utilizing the modern technology of farming and that the traditional way of farming are done away with. With the use of this agricultural technology, the products are bound to increase and also their value will increase. In addition, with the onset of technology in the country, the products would be processed in the country and hence ensure that the exports are processed, finished and manufactured products which are ready for the end user. This would be very beneficial to the country's economy.

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