

Examine the difficulties involved in making international gdp per head comparison...

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Examine the difficulties involved in making international GDP per head comparisons. Comparing international Gross Domestic Product (GDP) per head has many difficulties. And these difficulties are mainly contributed by various economic factors. For example, population remains the biggest challenge and make the international GDP per head comparison difficult because each country has different number of people living in their respective countries. For example, China has the world's largest population whereas Norway has a very limited population. If their GDP per head comparison is conducted, the subsequent result will be considerably different because both have substantial dissimilarity in their population.

Substitute goods share similar type of effect on their demand and price (Sloman, Hinde and Garratt, 2010). For example, some countries use GDP per head while others use Gross National Product (GNP) per head. Within the economics context, both measures are used alternatively. Consequently, it will be very difficult to compare two economies in which one uses GDP per head while other employs GNP per head.

Additionally, expenditure sources also hinder the process of carrying out an effective international GDP per head comparison. Many developed countries make expenditure on health, education and technology. On the other hand, developing countries prefer to spend on defence, security and other non-development sectors of economy. As a result, such difference also disallows a reasonable comparison between per head GDP of two international countries.

Moreover, cost of living, particularly inflation, also makes it difficult to compare per head GDP of two countries. For example, Norway is known as

the most expensive country because the rate of government taxes is considerably higher. On the other hand, small taxes are given in China.

Reference

Sloman, J. Hinde, K. and Garratt, D. (2010) Economics for business. 5th ed.
Harlow: Financial Times / Prentice Hall