

Answer on Question #44439 – Economics - Macroeconomics

Task:

Measuring the effect of consumption

What is the best way to choose

1. GDP per capita or
 2. GDP average income
- & why

Answer:

The Gross Domestic Product (GDP) is a measure of economic activity for a country as a whole.

GDP - per capita (PPP) compares GDP on a purchasing power parity basis divided by population

An average income per person is the mean income of the people in an economic unit such as a country or city. It is calculated by taking a measure of all sources of income in the aggregate (such as GDP or Gross national income) and dividing it by the total population.

Per capita income is best to measure the effect of consumption. It is often used as average income, a measure of the wealth of the population of a nation, particularly in comparison to other nations. Per capita income is often used to measure a country's standard of living. It is usually expressed in terms of a commonly used international currency such as the Euro or United States dollar, and is useful because it is widely known, easily calculated from readily-available GDP and population estimates, and produces a useful statistic for comparison of wealth between sovereign territories. This helps the country to know their development status.