Making Sense of the Results of the 2011 International Comparison Program

Frederic A Vogel*
Consultant, International Statistics
The World Bank
Washington, DC, USA
favogel@msn.com

Abstract

A major outcome of the 2011 International Comparison Program (ICP) is the finding that the world economies are more equal in size when using Purchasing Power Parities (PPPs) because consumption and GDP values in most poor economies are larger relative to those of the United States than previously thought based on ICP 2005 measures that were extrapolated forward to 2011. For example, differences between ICP 2011 benchmark and extrapolated Purchasing Power Parities for 2011 for China and India were 17 and 25 percent respectively. These findings have fueled a debate about the quality of the ICP 2005 benchmark results compared to those from the ICP 2011 and also the quality and relevance of PPP extrapolations in general.

The 2011 ICP included more countries than ever before. In addition, new survey and estimation methods were introduced. Intensive analysis of the ICP 2005 results identified shortcomings in some of the methods and also provided the basis for adapting new methods for ICP 2011. The dilemma is that the continual improvement of methods limits the comparisons of PPPs over time. The purpose of this paper is to provide an overview of the properties of the estimation methods and the possible impact of changes made to ICP 2011 to better understand the relationship between ICP 2005 and 2011 results. Key words: International Comparison Program (ICP), Purchasing Power Parities (PPPs), Gross Domestic Product (GDP)