

[About.com](#) [About News & Issues](#) [US Economy](#) [World Economy](#)

World's Largest Economy

[Ranking](#) [GDP and Real GDP](#) [in the world](#)

1 [World's Largest Economy](#)

2 [The Power of the U.S. Economy](#)

3 [3 Ways to Compare GDP by Country](#)

4 [U.S. Debt to China](#)

5 [What Is the European Union? How It Works & ...](#)

ECONOMY ABOUT TO COLLAPSE

\$5 Bill Proves Stock Market Is On The Verge Of A Collapse. See Proof!



China replaced the United States as the world's largest economy in 2014. Photo: Peter Dazeley/Getty Images

By [Kimberly Amadeo](#)

Updated December 22, 2015.

In 2014, [China](#) became the world's largest economy for the first time in modern history. It replaced the United States by producing \$17.63 trillion in economic output. The [European Union \(EU\)](#) remained in second place, producing \$17.61 trillion. Together, China and the EU generate 32.8% of the world's economic output of \$107.5 trillion.

The United States fell to third place, producing \$17.46 trillion.

The world's three largest economies combined contributed \$52.7 trillion. That's nearly half of the world's total GDP. No other economy came even close to any of these three. The fourth largest economy was [India](#), producing \$7.27 trillion. [Japan](#) was fifth, at \$4.81 trillion. [Germany](#), the strongest country in the EU, produced \$3.62 trillion. (Source: CIA World Factbook, Rank Order GDP)

How Economies Are Measured

Don't start swapping [U.S. dollars](#) for [Chinese yuan](#) and learning Mandarin yet. These three figures are very close. The estimates change throughout the year. [China's economy is slowing](#) as its leaders attempt to head off an [asset bubble](#) through reform.

CONTINUE READING BELOW OUR VIDEO

What Is The Gross Domestic Product?

Save \$50 on a new
LG G Pad X8.3 tablet

when you switch to Verizon.

New 2yr agreement req'd

Better
matters.

verizon



Learn more

US ECONOMY CATEGORIES

- [Hot Topics](#) ▶
- [U.S. Markets](#) ▶
- [Definitions](#) ▶
- [GDP and Growth](#) ▶
- [U.S. Economy Statistics](#) ▶
- [Fiscal Policy and the Debt](#) ▶
- [Economic Theory](#) ▶
- [Trade Policy](#) ▶
- [Monetary Policy and the Fed](#) ▶
- [Inflation](#) ▶
- [Demand: Retail Trends, Consumer Debt](#) ▶
- [Supply: Labor, Oil and Capital](#) ▶
- [World Economy](#) ▶
- [U.S. Economy Leaders](#) ▶
- [Politics](#) ▶
- [How Does the U.S. Economy Work](#) ▶

Economic Trends and Indicators ▶
 The Great Recession ▶
 Updated Articles and Resources ▶
 Expert Videos ▶

Sign up for our free
US Economy newsletter

SIGN UP

You can opt-out at any time. See our [privacy policy](#).

For more, see [Could the Yuan Replace the Dollar as the World's Reserve Currency?](#)

Second, it's important to understand how a country's economy is measured by its [Gross Domestic Product](#) (GDP). That has four components: output by households, government, and [business investment](#), as well as net exports (exports minus imports). To find out more, see [Components of GDP](#).

The output measured by GDP equals spending, so it takes into account the [cost of living](#).

That means it doesn't cost as much to buy, say, a Big Mac in China as in the United States. Analysts use [purchasing power parity](#) to take into account each country's standard of living. You can't compare countries or economies without it.

Expect to see the three global giants continue to trade places in the #1 spot for years to come. For more, see [The Power of the U.S. Economy](#).

How the Recession Affected the Global Ranking

The EU achieved its top status in 2007. That year, its [Gross Domestic Product](#) (GDP) was \$14.4 trillion, while [U.S. GDP](#) was only \$13.86 trillion. The EU held onto its premier position through the [2008 financial crisis](#) and the [eurozone debt crisis](#) until 2013, when the United States briefly regained the top spot.

Ads

- [US Economy Collapse](#)
- [China Economy](#)
- [GDP](#)
- [World Economy Ranking](#)
- [GDP and Real GDP](#)

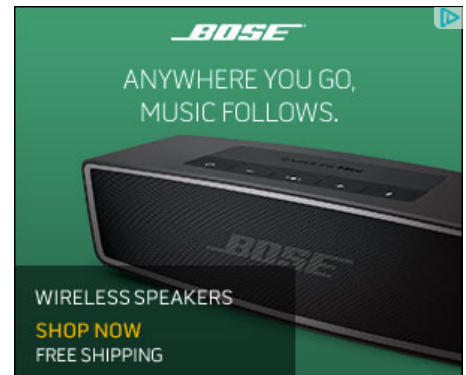
(Source: CIA World Factbook, [Rank Order GDP](#))

While the EU and U.S. economies maintained their share of the global economic output, China was the big winner. It now produces twice as much as in 2007, when its GDP was \$7

trillion. India is also a big winner. Its GDP also nearly tripled from its 2007 output of \$2.965 trillion. Japan barely gained any ground -- its GDP was \$4 trillion in 2007. Germany's GDP only rose 16% from its \$2.8 trillion output in 2007.

Should the EU Ever Be Considered the World's Largest Economy?

Even when the EU produced more, some experts said the United States was still the world's largest economy. They argued that America is a country while the EU is just a trading area that includes 27 separate countries. However, the EU confers many rights that make it more than just a free trade zone (such as [NAFTA](#)). In addition to [tariff](#) relief, the EU allows free movement between the countries for employment and trade. Furthermore, 13 of these countries share a common currency, the euro. Despite the [eurozone debt crisis](#), the EU is lurching toward greater fiscal integration as well as a monetary one. The EU is acting more and more like a unified economy all the time.



The U.S. economy had been growing more slowly than the EU. The eurozone crisis changed all that. Many analysts initially said that the EU "experiment" was doomed to failure since these vastly different countries could never work together as a unified economy. The ongoing eurozone crisis may yet prove them right. However, until then, the EU experience was so successful that areas such as Southeast Asia and Latin America were considering unifying their economies and considering a unified currency. They are waiting to see how the eurozone crisis resolves before following that model.

Nevertheless, the EU has achieved an [economy of scale](#) that eats into the [comparative advantage](#) the U.S. has traditionally enjoyed. Furthermore, the EU's currency, the [euro](#), has successfully competed with the dollar as a [global currency](#). Thanks to these competitive pressures, and those from China, the U.S. has once again lost its #1 spot as the world's largest economy. *Article updated December 23, 2015.*

Related Articles

- [The Power of the U.S. Economy](#)
- [3 Ways to Compare GDP Between Countries](#)

[VIEW MORE](#) ▾

[About.com](#) [About News & Issues](#) [US Economy](#) [GDP and Growth](#)

The Power of the U.S. Economy



The U.S. economy drives global growth and provides a good standard of living for its residents. Photo: Getty Images

By [Kimberly Amadeo](#)

Updated June 12, 2015.

The economic power of the United States is matched by no other country around the world, even though it's no longer the [world's largest economy](#).

America Produces 16% of the World's Total

Total output for the U.S. economy in 2014 was \$17.46 trillion, 16% of the world's total output of \$107.5 trillion. It is only slightly outranked by [China](#), at \$17.63 trillion and the [European Union](#), at \$17.61 trillion.

The next three combined produce less than the United States: [India](#) (\$7.27 trillion), [Japan](#) (\$4.81 trillion) and [Germany](#) (\$3.62 trillion). Please note: these comparisons are made using [purchasing power parity](#), which takes into account the effect of exchange rates. (Source: CIA World Factbook, [Rank Order GDP](#))

In fact, the [GDP](#) of most countries are the same as many U.S. states. For example, California produces as much as France, Texas as much as Canada, and even tiny Rhode Island as much as Vietnam. Here's a [map that shows more](#). Find out the

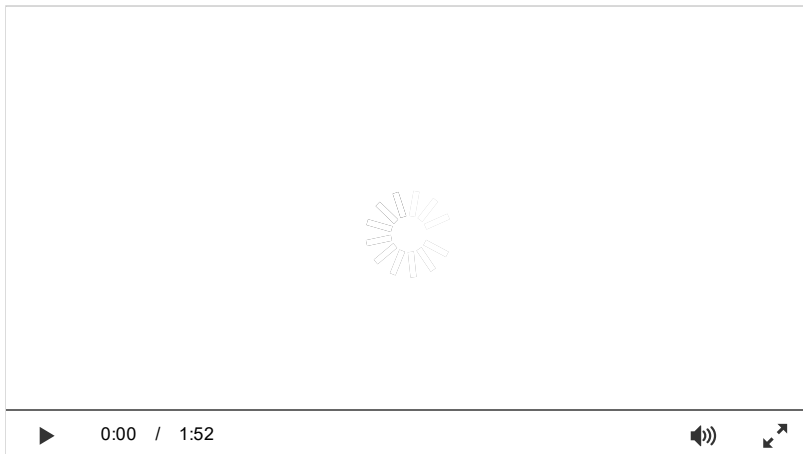
[States With the Best Economies.](#)

The U.S. Economy Provides One of the Highest Standards of Living in the World

The power of the U.S.

CONTINUE READING BELOW OUR VIDEO

What Is The Gross Domestic Product?



economy is seen in its [GDP per capita](#), which was \$54,800 in 2014. The Gross Domestic Product per capita effectively measures a country's [standard of living](#). Nineteen countries have a higher GDP per person, but most of these are either financial centers, oil-exporting countries, or both. Although China is the world's largest economy, its GDP per capita was only \$12,900.

Think of the incredible economic power it takes to both one of the largest economies in the world while producing one of the highest standards of living per person.

While other countries, such as Norway and Bermuda, have higher GDP per capita, they aren't the driver of the global economic engine like the United States of America.

America Has Four Advantages

America had a huge head start thanks to its abundance of natural resources. It has thousands of acres of fertile land, lots of fresh water, and [abundance of oil](#), coal and natural gas. Its large land mass is bordered by two large coastlines that provide ports for commerce. For more, see [How Natural Resources Boost the U.S. Economy](#).

In addition, it's governed by one political system, monetary system and language.

This gives it a [comparative advantage](#) over the world's second largest economy, the [European Union](#). The EU is made up of 28 separate member countries with different political systems and languages. This makes it more difficult to manage its single monetary system unified by the [euro](#).

A third advantage is that America has two peaceful neighbors, [Canada](#) and [Mexico](#). That means it doesn't have to defend its borders, and it allowed the creation of the world's largest trade area, [NAFTA](#). This gives America an advantage over the world's largest economy, [China](#). That country's largest neighbors, [India](#), [Russia](#) and [Japan](#), don't have the same peaceful natures or history. That makes any trade agreements enormously more difficult.

A fourth advantage is its large and [diverse](#) population. This allows companies to test market products before incurring the expense of bringing them to market. That

lowers product development costs, which encourages innovation. This has created global centers of innovation: New York for finance, [Silicon Valley](#) for technology, and Hollywood for entertainment. *Article updated April 23, 2015.*

Related Articles

- [China Is Now the World's Largest Economy](#)
- [3 Ways to Compare GDP Between Countries](#)



[About News & Issues](#)

Follow us:

We deliver. Get the best of [About News & Issues](#) in your inbox.



SIGN UP

You can opt-out at any time. See our [privacy policy](#).

[Our Story](#)

[Advertise With Us](#)

[Site Map](#)

[Help](#)

[Write for About](#)

[Careers at About](#)

[Terms of Use & Policies](#)