**4.2 Measuring Development - Summary Notes (chapter 28)** [[1]](#footnote-1)

Webnote 426

Syllabus: Items 168 -169

**Syllabus Reference - Content**

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| **Single Indicators - I can:** | **Composite indicators - I can:** |
| * Distinguish between GDP per capita figures and GNI per capita figures. * Compare and contrast the GDP per capita figures and the GNI per capita figures for economically more developed countries and economically less developed countries. * Distinguish between GDP per capita figures and GDP per capita figures at purchasing power parity (PPP) exchange rates. * Compare and contrast GDP per capita figures and GDP per capita figures at purchasing power parity (PPP) exchange rates for economically more developed countries and economically less developed countries. * Compare and contrast two health indicators for economically more developed countries and economically less developed countries. * Compare and contrast two education indicators for economically more developed countries and economically less developed countries. | * Explain that composite indicators include more than one measure and so are considered to be better indicators of economic development. * Explain the measures that make up the Human Development Index (HDI). * Compare and contrast the HDI figures for economically more developed countries and economically less developed countries. * Explain why a country’s GDP/GNI per capita global ranking may be lower, or higher, than its HDI Index |

**Relative poverty** - Comparative level of poverty. A person could be said to be in relative poverty

if they fail to earn an income over the 50% average.

**Absolute poverty** - Measured in terms of the basic necessities for survival. What level of income is

required to buy items such as food, clothing and shelter? World bank has set levels of $1.25 per day (absolute poverty) and $2.00 per day (relative poverty).

Countries with % of population **below** the poverty line

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| **Country** | **% of population with income below absolute poverty ($1.25)** | **% of population with income below moderate poverty ($2.00)** |
| Zambia | 64.3 | 81.5 |
| Niger | 65.9 | 85.6 |
| Madagascar | 67.8 | 89.6 |

Many of these countries are caught in poverty cycles.

Low Economic Growth > Low Income > Low Savings > Low Investment > Low Economic Growth

M**easures of Economic Development**

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| **Single Incicators** | **Description/Definition** | **Examples** |
| ***Financial Measures*** |  |  |
| - GDP per capita | Total economic activity in a country regardless of who owns the productive assets, divided by the total of the population. Foreign firms producing inside the country **are** included. Domestic firms producing outside of the country **are not** included. | Includes FDI investment. Therefore this figure can be significantly higher than GNI. India had FDI of $41,554 Million in 2008. The following figures are for 2008 in US$.  **USA** - 46,350, **UK** - 43,541, **Indonesia** - 2,246, **Vietnam** - 1,051 |
| - GNI per capita | Total income earned by the countries factors of production, regardless of where the assets are located, divided by the number of the population. Foreign firms producing inside the country **are not** included. Domestic firms producing outside of the country **are** included. | Usually a more reliable measure as it does not include FDI. Particularly for developed countries.  \*USA - 47,930, \*UK - 46,040, Indonesia - 1,880, Vietnam - 890  \* Therefore USA and UK earn a significant amount of property income from abroad. Developing countries like Indonesia and Vietnam do not. |
| - GDP per capita (PPP) | GDP per capita adjusted for purchasing power parity. What is the purchasing power of my income?  Big Mac Index - Burgernomics! Because this product in almost identical worldwide. <http://www.economist.com/content/big-mac-index> | For instance if we converted Nigeria’s GDP per capita to US$ we would get $1,370. However the cost of goods and services is significantly lower in Nigeria than the US, therefore this value has a higher purchasing power in Nigeria. |
| ***Health Measures*** |  |  |
| - Life expectancy at birth | How many years can a person expect to live for when they are born? Factors that can lead to high life expectancy: clean water, adequate sanitation, provision of national education, reasonable supply of food, healthy diet, lack of political conflict (wars). | **Australia** - 82 years  **Croatia** - 76 years  **Indonesia** - 71 years  **Zambia** - 46 years |
| - Infant Mortality Rate | Number of deaths in babies per 1000 in a calendar year. Significantly affected by health care, availability of food and level of poverty | **Australia** - 5  **Croatia** - 5  **Indonesia** - 31  **Zambia** - 92 |
| ***Education Measures*** |  |  |
| - Adult literacy rate | Proportion of the population aged over 15 who is literate expressed as a % of the entire population. Assessed as a person who can read and write a short statement relating to his/her everyday life. Influenced heavily by wealth and poverty levels | **Australia** - 99%  **Croatia** - 99%  **Indonesia** - 91%  **Zambia** - 68% |
| - Net enrolment ratio in primary education | Expressed as a ratio of the number of students of primary school age in school to the total number of primary school aged children in the country. One of the Millenium Development goals is for all primary school aged children to be in education by 2015. | **Australia** - 96%  **Croatia** - 90%  **Indonesia** - 85%  **Zambia** - 80% |

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| **Composite Indicators** | **Description/Definition** | **Example** |
| Human Development Index | Brings together 3 goals - long and healthy life, improved education and standards of living.  **Health** - Life Expectancy  **Education** - Adult Literacy rate + school enrolment across primary, secondary and tertiary sectors  **Standards of Living** - GDP per capita converted to PPP  \* Some countries are strong in GDP per capita, but lower for other indicators and vice versa. Refer to table on page 350. | An index value between 0-1 is created. Countries are then ranked into 4 categories:  Very high HDI - **0.9 - 1.0**  High HDI **0.8 - 0.89**  Medium HDI **0.5 - 0.79**  Low HDI **less than 0.5**  **Norway** HDI rank - 1, GDP per capita rank - 5  **USA** HDI rank - 13, GDP per capita rank - 9  **Saudi Arabia** HDI rank - 59, GDP per capita rank - 40 |
| Gender-related Development Index (GDI) | Looks at the same indicators for HDI, but considers differences for gender. Therefore the GDI is essentially HDI adjusted for differences between men and women. | **France** - HDI (0.961), GDI (0.956)  **UK** -HDI (0.947), GDI (0.943)  **Mali** - HDI (0.371), GDI (0.353)  <http://hdr.undp.org/en/statistics/gii> |
| Gender empowerment measure (GEM) | Does development create freedoms and opportunities for women? How do women within a country participate in economic and political life? | % of women in leadership, managerial and parliament positions  4% of women in management positions in Germany.  <https://www.alumniportal-deutschland.org/en/jobs-career/article/women-in-leadership-positions-womens-quota.html> |
| Human Poverty Index (HPI) | Measures the level of deprivation and poverty experienced in a country. HDI measures 3 variables, whereas the HPI measures the proportion of people who are deprived of the opportunity to reach a basic level in each area.  How evenly are the HDI benefits spread within the country? | - % of people who do not reach the age of 40  - % of adults who are illiterate  - % of population without access to safe water  - % of children who are underweight for their age |
| Genuine Progress Indicator (GPI) | Has a country’s growth actually led to an improvement in the welfare of its people? **Deducts costs** of economic growth | - Environmental costs, social costs, commuting costs, cost of automobile accidents. Is growth sustainable? |

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1. Thanks to Mr Barratt for these notes! [↑](#footnote-ref-1)