

What is Development?

How can we measure Development?

Prepared by

Dr Neethu S.Arrakal

Asst Prof. in Economics

Definition of development

Economic growth – Increase in total value of goods and services produced. (measured by **GDP**)

Development – Improvement in human welfare, quality of life, social well being. Satisfying the population's needs and wants. (measured using a range of **socio-economic indicators**)

Sustainable development – “Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” (Measured using indicators of **environmental quality**)

Our Common Future (Brundtland Report) United Nations World Commission on Environment and Development (WCED) 1987 recognized that environmental problems were global in nature and determined that it was in the common interest of all nations to establish policies for sustainable development. Norwegian Prime Minister Dr. Gro Harlem Brundtland.

Measuring Economic Development

Gross Domestic Product

GDP – total value of goods and services produced in a country (US\$)

Gross National Product

GNP – Including income from investments abroad (US\$)

Purchasing Power Parity

PPP – Takes into account local cost of living and is usually expressed per capita (US\$)

GDP/GNP per capita

Total value divided by the total population

Problems of using economic indicators such as GDP/GNP/PPP to measure development

- Currency fluctuations
- Prices of goods and services (PPP)
- Distribution of Wealth
- Dependency on one industry (skills, location, fluctuations)
- Tax and govt spending on public goods
- Informal economy and unpaid work eg child care and subsistence farming, bartering
- Monetary value of goods traded can fluctuate, especially agriculture
- Accurate info difficult to obtain, high informal sector, rural economy, ineffective governance
- % of public and private sector
- Remittances from migrant workers are not included

Problems of using economic indicators such as GDP/GNP/PPP to measure development

- Negative externalities of economic growth are not included (eg pollution, environmental damage)
- Environmental services such as the benefits derived from standing forest are not included.

Basically it is only a measure of the economic value of what is produced and paid for. Does not take into account what was produced, the environmental and social costs, how the wealth is distributed, who spends it and what it is spent on.

Social indices

Demographic statistics on mortality and fertility can be used to measure development. See Population Slideshare links on Fertility and Mortality

Infant mortality

Life expectancy

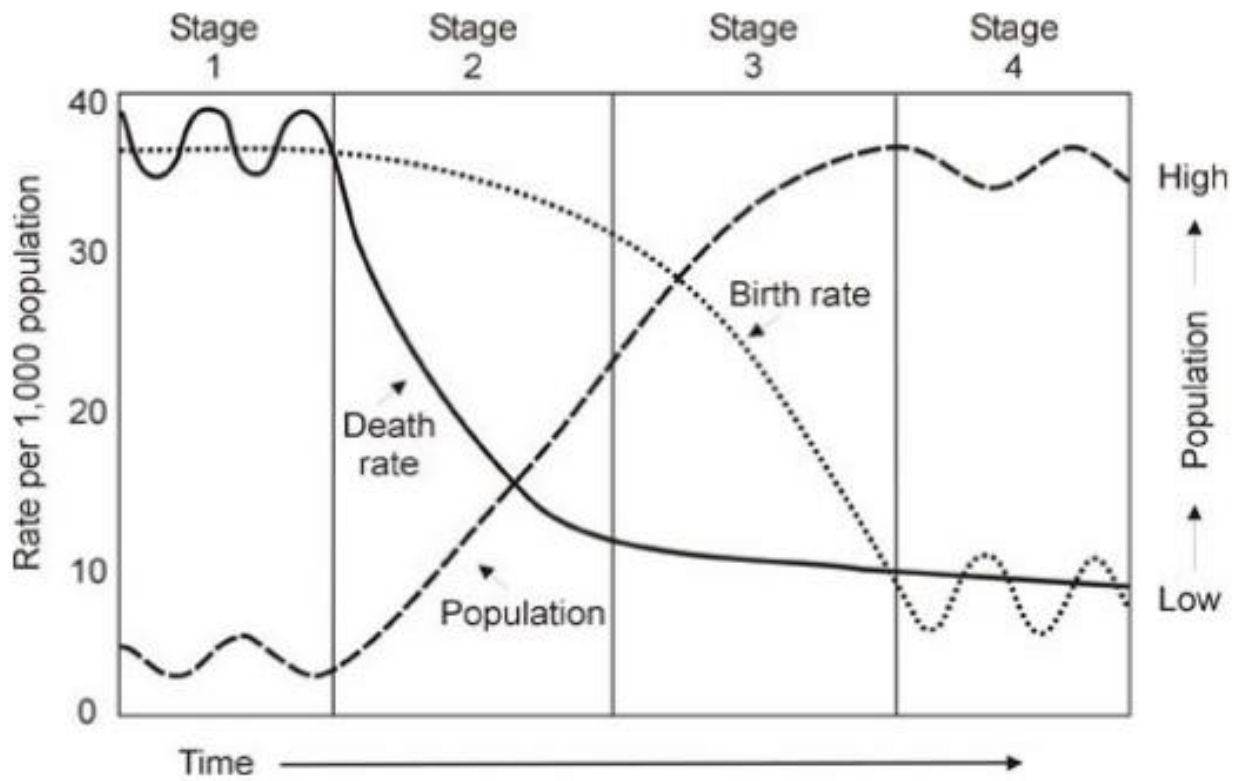
Fertility rate

Why should care be taken with using Death Rate as an indicator of development?

Is there any correlation between pop density and development?

Pop growth rate can indicate what stage on the DTM the country is at, which can be linked to development.

Also % urban population shows levels of urbanisation which could be linked to development. Remember Zelinsky's model? (Pop, res, dev p.62)



Multiple component indices **(composite indicators)**

All the indices so far have been single component indices. There are also multiple component indices. These combine a number of single component indices to give a combined score.

Human Development Index (0-1)

HDI – PPP, life expectancy, adult literacy, average number of years schooling

Human Poverty Index 1 (for developing countries)

HPI-1 - % of pop with life expectancy of <40, % of adult illiteracy, % without safe water, % without access to health services, % of under fives who are underweight

Human Poverty Index 2 (for developed countries)

HPI-2 - % of pop with life expectancy of <60, % of adult illiteracy, % of people below the poverty line (50% of medium income), rate of long term employment >12 months

Relative / absolute poverty

The two different Human Poverty Indices reflect there are different definitions of poverty.

Absolute Poverty – Those living in absolute poverty are unable to satisfy their basic needs for survival; water, clothing, food, shelter and basic medicine. World Bank figure of \$1.25 per day.

Relative Poverty – A level of poverty relative to the rest of the population of the country. For example below 50% of average earning.

Other multiple component indices **(composite indicators)**

Gender Empowerment Measure (GEM) and Gender-related Development Index (GDI) measure gender inequality.

Other quality of life indicators could measure a variety of social/economic/political and environmental indicators.

Multiple component indices v single component indices

Any ideas?

- MCI allow for easy comparison of countries across a range of indicators.
- Sometimes difficult to interpret what an MCI means.
(Vietnam HDI 0.709)
- MCI only indicates the aggregate score not the relative performance in each of its components.
- All tend to use averages and do not reflect inequalities in wealth and income distribution

Measuring inequality

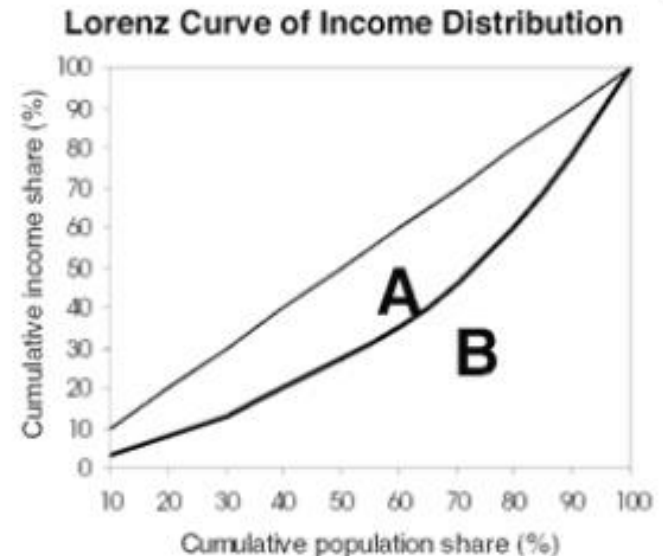
It is possible to measure the inequality of distribution of income, land or many other indicators using the ***Gini coefficient***.

This measures the extent to which distribution varies from completely even distribution.

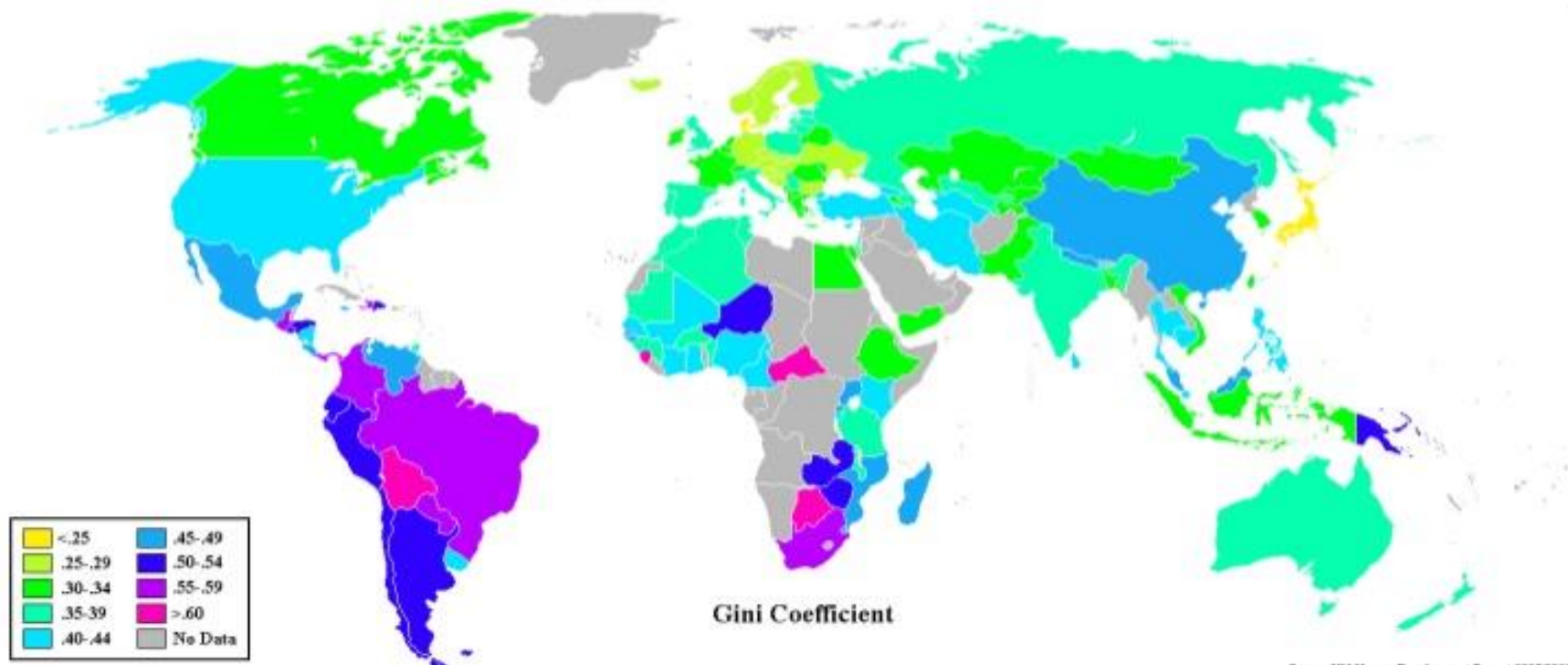
Could be measured across the population or across different regions of the country.

0 = Complete equality (everybody has the same amount)

100 = Complete inequality (one person has all the income)



Gini Coefficient World Human Development Report 2007-2008



Source: UN Human Development Report 2007/2008

● THANK YOU