Measures of Development

# Starter: Discussion Question

**Instructions:**

* Individually consider the below questions
* Discuss your thoughts with a partner
* Share your ideas with the class

*What are the characteristics of an LEDC?*

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# Presentation 1 – Intro to development

Complete the activities below so as to have a complete set of notes:

**Definition:** *Development*

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It is a holistic concept, covering more than just growth.

It covers progress in expanding economic freedoms, improvement in economic and social opportunities, growth in personal and national capabilities.

**Brainstorm:** *Dimensions of Development*

**Key Notes:** *The Brandt Line*

A visual depiction of the North-South economic development divide between incomes, based on GDP per capita



**Diagram task (a):** Draw where you think the Brandt line is today.

 Highlight any exceptions.

**Diagram task (b):** Add in the original Brandt line from 1980.

**Questions:**

Where are the differences between your line and the original?

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What has led to these changes?

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# Presentation 2 – HDI

Complete the activities below so as to have a complete set of notes:

**Definition:** *Human Development Index (HDI)*

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It equally weights statistics from three different dimensions of development.

Dimension 1: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

How could it be measured?

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What measure is actually used?

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Dimension 2: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

How could it be measured?

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What measure is actually used?

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Dimension 3: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

How could it be measured?

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What measure is actually used?

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# Article Task: Evaluating HDI

**Instructions:**

* Read, highlight and annotate the article
* Answer the questions
* Discuss your answers as a class

**Article**

*How useful is the Human Development Index (HDI) as a way to compare living standards between countries?*

Firstly, it is worth remembering that there are three equal weights within the HDI – longevity, education and real GNI at PPP$.

This is perhaps the biggest advantage, as it means the index combines the effects of economic growth with other quality of life indicators, to give us a broader view of living standards and well being. This is particularly important with many of the developing countries. For example, South Africa has achieved a relatively high income (GDP per capita at PPP was $11,110 in 2005). Yet it also suffers one of the lowest life expectancies in the world (50.8 years in 2005), mainly due to the prevalence of HIV / AIDS (18.1% of the adult population in 2007, making it the fourth worst-hit country in the world). Accordingly, South Africa’s HDI score in the 2007/08 report was only 0.674; hence the country ranks lower than Brazil, Columbia or even Vietnam, despite having a higher income than any of these other countries. And in the latest HDI report, the country has dropped to 121st place, primarily due to its AIDS epidemic.

Conversely, Sri Lanka is a good example of a country which has a very low level of income (GDP per capita at PPP was only $4,595 in 2005). Yet it ranks higher than South Africa in the 2007/08 HDI report, coming in at 99th place (and a HDI score of 0.743). This is because the government has prioritised health and education in previous years, to the extent that 90.7% of the Sri Lankan adult population are now literate, while life expectancy has reached an impressive 71.6 years. With longevity and education both approaching the standards of a developed country, it makes sense that Sri Lanka should rank higher than South Africa, despite its citizens having less than half the purchasing power. Consequently, another advantage of the HDI is that it indicates the extent to which GDP has been used to enhance social welfare, thus highlighting the relative success of domestic government policies around the world.

Another advantage concerns the origin of the index. The HDI is an international measure, developed and constructed by the United Nations Development Programme (UNDP), using a consistent methodology for all countries. This makes it particularly ideal for international comparison of living standards, and thus for determining which countries should be prioritised for foreign aid, loans or other types of assistance.

Also, as the UNDP is an independent organisation not affiliated to any particular country, the HDI rankings are more likely to be fair and impartial, hence a true reflection of living standards across the world.

There are also practical advantages to do with compiling the HDI. Namely, data on longevity, education and real GDP at PPP$ are all freely available in most countries, having already been collected by national governments for domestic policy-making. Therefore, such data are cheap and easy for the UNDP to collect, making the whole process more straightforward and cost-effective. On the other hand, since the UNDP collects this data from the individual countries, there may be problems of data accuracy, especially with some low income and developing countries that will have an incentive to paint a rosier picture of their citizens’ well being. This could undermine the HDI’s validity in practice, especially as a tool for international comparison.

There are further disadvantages of the HDI, focusing more on how it is actually constructed. For example, the one-third weighting scheme seems arbitrary, with no empirical data to justify it. Indeed some people might see a country’s level of resources as the most important measure of living standards, hence arguing that real GDP at PPP$ should be weighted more heavily than longevity and education. If this argument is to be accepted, then South Africa should rise up the HDI rankings. And with an income per capita more than twice that of Sri Lanka’s, it is possible that South Africa would even overtake Sri Lanka in the HDI rankings. Of course, any attempt to change the weightings of the HDI’s three components will be arbitrary to some extent, so we must accept this as one of its inherent drawbacks.

A related criticism concerns just how rigid these weightings are. For example, the IMF has argued that income has a diminishing impact on human development, the richer a country becomes. Hence if a poor country like Malawi was to increase GDP per capita by 10%, this will have a disproportionately greater impact on its citizens’ living standards than, say, the United States increasing its income per head by 10%. Yet the weighting of GDP per capita remains one-third, however rich or poor the country happens to be.

Moving on, the HDI can also be seen as rather limited in its inclusion of only three quality of life indicators. Surely living standards are dictated by a vast array of other factors, including the state of the environment and pollution levels; access to clean water, mobile phones and the internet. To omit these important indicators inevitably means that the HDI gives us an incomplete picture of living standards across the world.

Perhaps the most common criticism of the HDI is that it doesn’t directly take into account poverty or any other measure of deprivation, thus it is regarded by some as being of limited value. For example, the level of education, longevity and GDP per capita may all be fairly high in a country, leading to a high HDI score. But if income is unevenly distributed and there is a large proportion of the population in long-term unemployment, then there may also be a great deal of poverty and deprivation. In such a case, the *overall* standard of living is severely compromised, and this won’t always be reflected in the HDI. To overcome this problem, the UNDP also produces a measure of deprivation called the Human Poverty Index (HPI).

On balance, therefore, the HDI goes significantly beyond the simple use of GDP per capita, and in this sense it is a better measure of living standards between different countries. Also, the fact that there is a single methodology under the UNDP ensures the index remains fair, impartial and good for international comparison, while the underlying data remain cheap and easy to collect. However, it has rigid and arbitrary weightings, it omits numerous other quality of life indicators, and it fails to directly address poverty and deprivation. All these mean that the HDI should be qualified or at least combined with other measures if we are to gauge more accurately the differences in living standards from one country to the next.

**Question:**

What is the big advantage of HDI?

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**Brainstorm:** *Limitations of HDI*

# Presentation 3 – Alternatives to HDI

Complete the activities below so as to have a complete set of notes:

**Definition:** *Inequality adjusted HDI (IHDI)*

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The IHDI will be equal to the HDI value when there is no inequality, but falls below the HDI value as inequality rises.

The difference between the HDI and the IHDI represents the ‘loss’ in potential human development due to inequality and can be expressed as a percentage.

**Definition:** *The Multi-dimensional Poverty Index (MPI)*

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A larger figure indicates a higher level of poverty.

Like HDI it splits development into three categories (Health education and living standards) but breaks them down further.

**Diagram:** Complete the tree diagram of the MPI Breakdown



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**Key Notes:** *Additional Indicators*

Further to those in the composite measures of development, a variety of other indicators may be used, including:

• The proportion of the male population engaged in agriculture

• Energy consumption per person

• The proportion of the population with access to clean water

• The proportion of the population with internet access

• Mobile phones per thousand of population

# Creative Task: Your Perfect measure of development

**Instructions:** Design a new measure of development, consider:

* What dimensions you want your measure to cover?
* How you will measure these dimension?
* What weighting will you give each dimension
* Why are you including this dimension?

**Name of my Measure:** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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| --- | --- | --- | --- |
| **Dimension** | **Relevant Measure** | **Weighting** | **Why is this in your measure?** |
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**Extension:**

What countries do you think would be highly developed according to your measure? Why?

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What countries do you think would be less developed according to your measure? Why?

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# Research Task: Measuring economic development

**Instructions:**

In groups, you are to research and present on the economic development of a specific set of countries:

* Group A: Mexico, Libya, Saudi Arabia
* Group B: Qatar, Portugal, Poland
* Group C: Kuwait, Canada, United Arab Emirates
* Group D: China, Dominican Republic, Sri Lanka
* Group E: India, Vietnam, Venezuela

**Research focus:** To what extent are the countries economically developed? Which of your countries would you argue is **most** developed?

**Consider:**

* Different ways in which economic development can be measured.
* The strength/limitations of different measures of economic development (do not just rely on what one; I expect to see evidence of judgement/evaluation in your presentations).
* Any significant differences between a country’s ranking according to different measures of development (e.g. if HDI is similar, what about GDP per capita?)

Presentations should be creative, but without compromising on content. Each presentation should be no longer than 10 minutes.

**Success Criteria:**

* Wide variety of indicators across the different dimensions of development
* Explanation of what the statistics means for development
* Justifications as to your choice of indicators
* Considerations about which indicators are the most important
* A supported judgement of which country is the most developed

# Assignment

**Measures of Economic Performance**





1. Evaluate the usefulness of the HDI in making comparisons between countries.

[12]

**Question:** Evaluate the usefulness of the HDI in making comparisons between countries. [12]

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| **Planning Grid: Aim = 4 paragraphs - 2 KAA points (8); 2 Eval points (4)** |
| **KAA Point 1 = signpost key point** |  |
| Application |  |
| Main concept & diagram |  |
| **Eval Point 1 = relate to your earlier point & re-read the title** |  |
| Context / evidence |  |
| **KAA Point 2 = signpost key point** |  |
| Application |  |
| Main concept & diagram |  |
| **Eval Point 2 = relate to your earlier point & re-read the title** |  |
| Context / evidence |  |