

Edexcel Economics AS-level
**Unit 2: Macroeconomic Performance
and Policy**

Topic 1: Measures of
Macroeconomic Performance


1.6 Other measures of development

Notes




Economic growth is the increase in a country's real national output. This is caused by increases in the quality or quantity of factors of production, which cause an outward shift in the PPF.

Economic development refers to living standards, freedom (from oppression) and life expectancy. Essentially, it covers a more moral side to economic growth and it is normative. Development is also concerned with how sustainable the economy is and whether the needs of future generations can be met.

 **Human Poverty Index (HPI):** measures life expectancy, education and the ability of citizens to meet basic needs. There are two types: HPI-1 and HPI-2. The former measures poverty in developing countries and the latter measures poverty in developed countries.

In HPI-1, the longevity part of the index measures the probability of living to the age of 40. The education component considers the adult literacy rate. The ability of citizens to meet basic needs is measured by the percentage of underweight children and the percentage of people not using improved water sources.

For HPI-2, the probability of not surviving to at least the age of 60 is used. The percentage of adults which do not have literacy skills is calculated, and poverty is calculated by those living below the poverty line. This is below 50% of median income.

 **Gender-related Development Index (GDI):** measures the relative inequality between men and women. It combines HDI with a consideration of gender. For example, it will consider differences in life expectancies, income and education between genders.

 **More indirect indicators:**

- The United Nations has eight Millennium Development Goals. These are to:
 - Eradicate extreme hunger and poverty
 - Achieve universal primary education
 - Promote gender equality and empower women



- Reduce child mortality
- Improve maternal health
- Combat HIV/AIDS, malaria and other diseases
- Ensure environmental sustainability
- Develop a global partnership for development

The Millennium Development Goal (MDG) was to half the number in extreme poverty and hunger by 2015. To date, this goal has been met, since the proportion of people in poverty has halved, around 90% of children now have primary education (compared to about 80% before) and almost 90% of people have access to improved water sources.

Access to health, education, the internet and mobile phone usage

Additionally, development can be measured using the proportion that has access to health, education, the internet and mobile phones.

Life expectancy can be used to give information about education and health. For example, Malawi has a life expectancy below the world average, which is closely linked to poor access to clean water (and other sanitation).

780m people in the world do not have access to clean water. This is an important indicator, since it is related to life expectancy and it is indicative of the quality of infrastructure in the country.

