

Edexcel (A) Economics A-level
Theme 4: A Global Perspective

4.3 Emerging and Developing Economies

4.3.1 Measures of development

Notes



The three dimensions of the Human Development Index (HDI)

The components of HDI are education, life expectancy and standard of living, measured by real GNI at purchasing power parity (PPP) per capita.

It measures economic and social welfare of countries over time.

The education component combines the statistics of the mean number of years of schooling and the expected years of schooling.

The life expectancy component uses a life expectancy range of 25 to 85 years.

The standard of living component measures GNI adjusted to PPP per capita. GDP was used instead of GNI, but to account for remittances and foreign aid, GNI is now used, since it reflects average income per person.

The average world HDI rose from 0.48 in 1970 to 0.68 in 2010. This was mainly due to the growth of East Asia, the Pacific and South Asia.

A value close to 1 is indicative of a high level of economic development. A value close to 0 suggests a low level of development.

The advantages and limitations of using the HDI to compare levels of development between countries and over time

-  HDI does not consider how free people are politically, their human rights, gender equality or people's cultural identity.
-  HDI does not take the environment into account. It could be argued that this should be included to focus on human development more.
-  HDI does not consider the distribution of income. A country could have a high HDI but be very unequal. This can mean many people might still be in poverty.
-  HDI does allow for comparisons between countries to be made, based upon which countries are generally more developed than other countries.
-  It provides a much broader comparison between countries than GDP does.



Education and health are important development factors to consider, and it can provide information about the country's infrastructure and opportunities. It also shows how successful government policies have been.

Other indicators of development

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.

