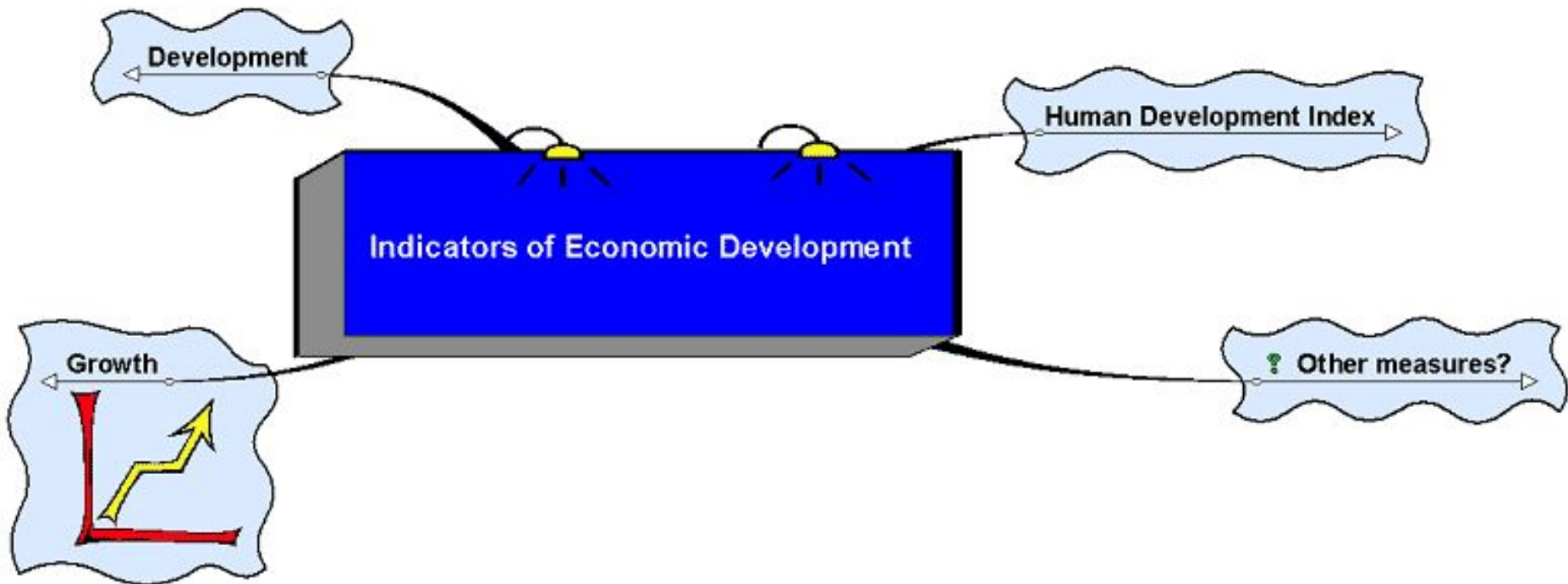


# Indicators of Economic Development

# Indicators of Economic Development



# Growth versus Development

- Economic growth may be one aspect of economic development but is not the same
- **Economic growth:**
  - A measure of the value of output of goods and services within a time period
- **Economic Development:**
  - A measure of the welfare of humans in a society

# Economic Growth



This might be a common picture.....

Copyright: unseenob, <http://www.sxc.hu>

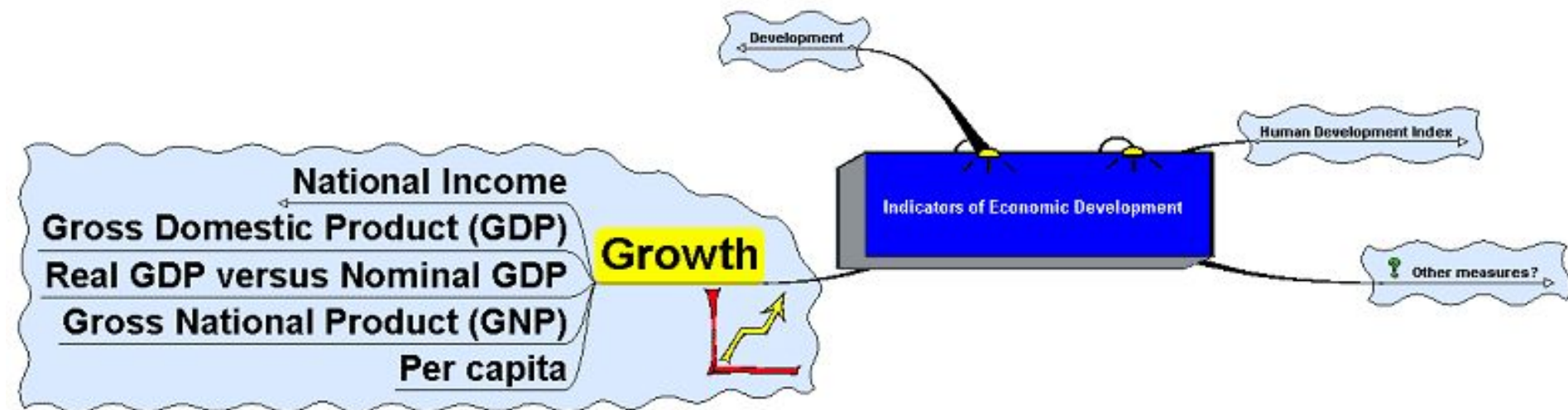


But this could be just around the corner!

Copyright: chinagrove, <http://www.sxc.hu>

- Using measures of economic growth can give distorted pictures of the level of income in a country – the income distribution is not taken into account.
- A small proportion of the population can own a large amount of the wealth in a country. The level of human welfare for the majority could therefore be very limited.

# Growth



# Economic Growth

- Using measures of economic performance in terms of the value of income, expenditure and output
- GDP – Gross Domestic Product
  - The value of output produced within a country during a time period
- GNP – Gross National Product
  - The value of output produced within a country plus net property income from abroad
- GDP/GNP per head/per capita
  - Takes account of the size of the population
- Real GDP/GNP
  - Accounts for differences in price levels in different countries

# Economic Growth



Shopping Mall in Saudi Arabia

Copyright : Christo Pacheco, <http://www.sxc.hu>



Dubai Skyline

Copyright: zchizzerz, <http://www.sxc.hu>

- High economic growth fuelled through capital spending can hide a number of underlying economic problems – how is the income and wealth distributed? Who is doing the spending and will it 'trickle down' to the poor?

# National Income – Problems with using GDP/GNP

- **Reliability of data?**
  - How accurate is the data that is collected?
- **Distribution of income?**
  - How is the income distributed – does a small proportion of the population earn a high percentage of the income or is income more evenly spread?



# National Income – Problems with using GDP/GNP

- **Quality of life?**

- Can changes in economic growth measure changes in the quality of life?
- Does additional earnings power bring with it additional stress, increases in working hours, increased health and family problems?

- **Impact of exchange rate?**

- Difference in exchange rates can distort the comparisons – need to express in one currency, but which one and at what value?

# National Income – Problems with using GDP/GNP

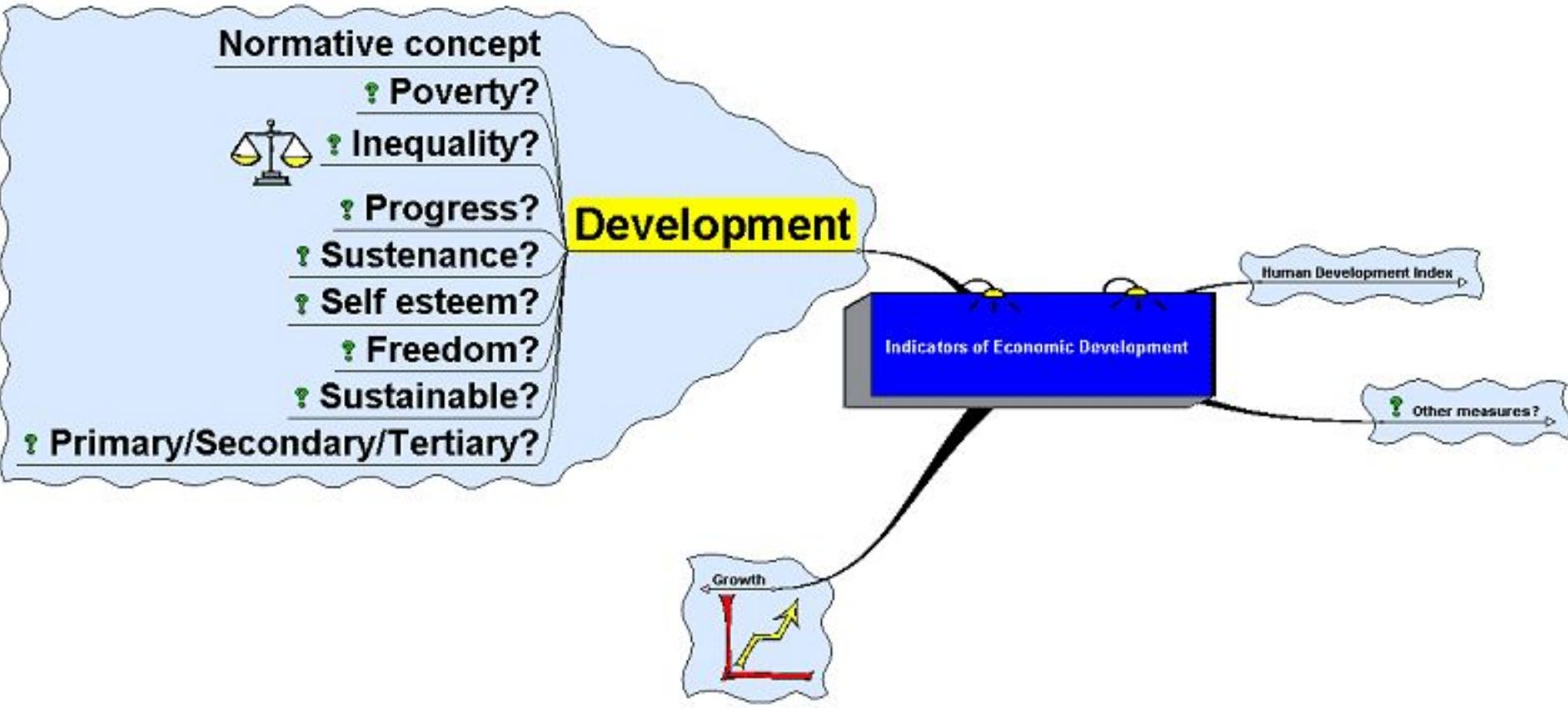


It might not be pleasant, but what he finds among the refuse could be all he has.

Title: Sierra Leone Liberia. Copyright: Photolibrary Group

- Black/informal economy?
- Some economic activity not recorded – subsistence farming and barter activity, for example
- Some economic activity is carried out illegally – building work ‘cash in hand’, drug dealing, etc.
- Work of the non-paid may not be considered but may contribute to welfare – charity work, housework, etc.

# Development



# Development

- Development incorporates the notion of a measure/measures of human welfare
- As such it is a normative concept – open to interpretation and subjectivity
- What should it include?

# Development

- Levels of poverty
  - Absolute poverty
  - Relative poverty
- Inequality
- Progress – what constitutes progress?



Our definitions of progress may be highly subjective. What has progress brought to native tribes people across the globe?

Title: Navajos refuse casino riches. Copyright: Stock.Xchng

# What is Poverty?



Romanian gypsies – is this man living in poverty?

Copyright: ghitulescu radu, <http://www.sxc.hu>



Or is this villager in rural China?

Copyright: Mark Forman, <http://www.sxc.hu>

- Poverty is a 'relative' term

# Development

- Other considerations of human welfare:
- Political freedoms?
- Sustenance?
- Sustainable development?
- Self esteem?
- Proportion of activity in different sectors of the economy:
  - Primary
  - Secondary
  - Tertiary

# Development

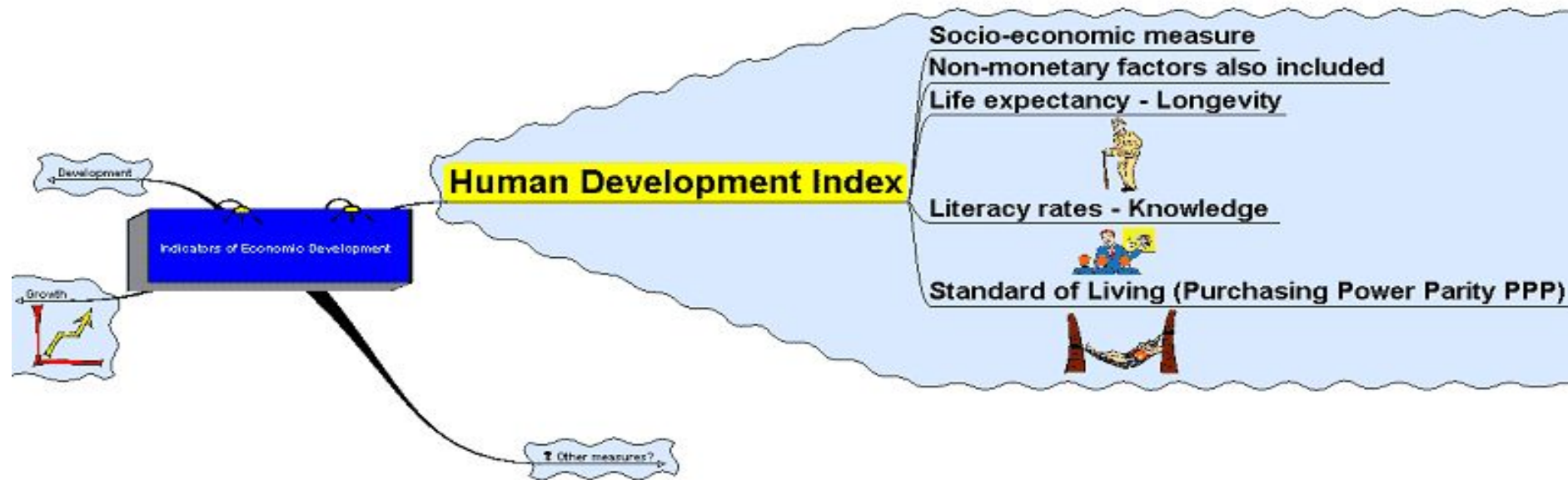
- Iraqis have supposedly been given their freedom following the American led 'Operation freedom' but has it improved welfare?



Copyright: Photolibrary Group



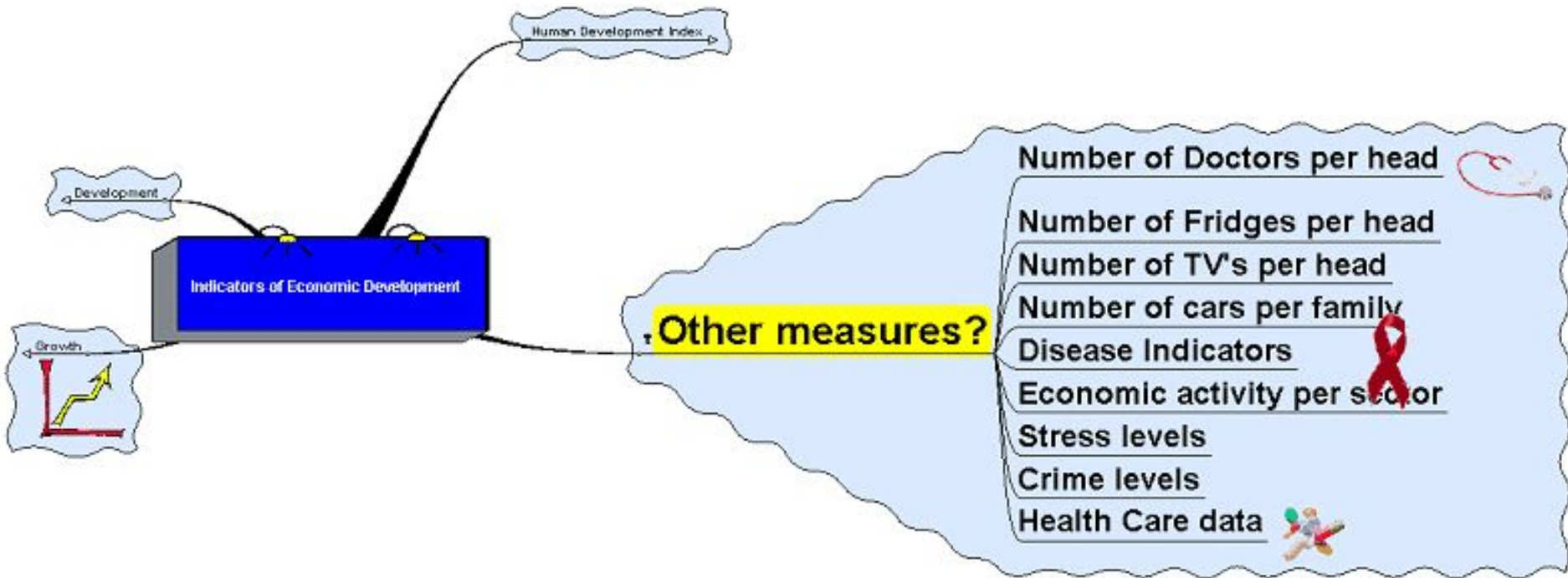
# Human Development Index



# Human Development Index (HDI)

- HDI – A socio-economic measure
- Focus on three dimensions of human welfare:
- **Longevity** – Life expectancy
- **Knowledge** – Access to education, literacy rates
- **Standard of living** – GDP per capita: Purchasing Power Parity (PPP)

# Other Measures?




# Other Measures?

- How far do these other measures reflect levels of human welfare?

# Indicators of Economic Development




**Development**




- Normative concept
- Poverty?
- Inequality?
- Progress?
- Sustenance?
- Self esteem?
- Freedom?
- Sustainable?
- Primary/Secondary/Tertiary?

**Human Development Index**

- Socio-economic measure
- Non-monetary factors also included
- Life expectancy - Longevity
- Literacy rates - Knowledge
- Standard of Living (Purchasing Power Parity PPP)

**Growth**



- Reliability of data?
- Distribution of income?
- Quality of life?
- Impact of exchange rate?
- Black/informal economy?
- National Income
- Gross Domestic Product (GDP)
- Real GDP versus Nominal GDP
- Gross National Product (GNP)
- Per capita

**Other measures?**

- Number of Doctors per head
- Number of Fridges per head
- Number of TV's per head
- Number of cars per family
- Disease Indicators
- Economic activity per sector
- Stress levels
- Crime levels
- Health Care data

