

Measuring Development

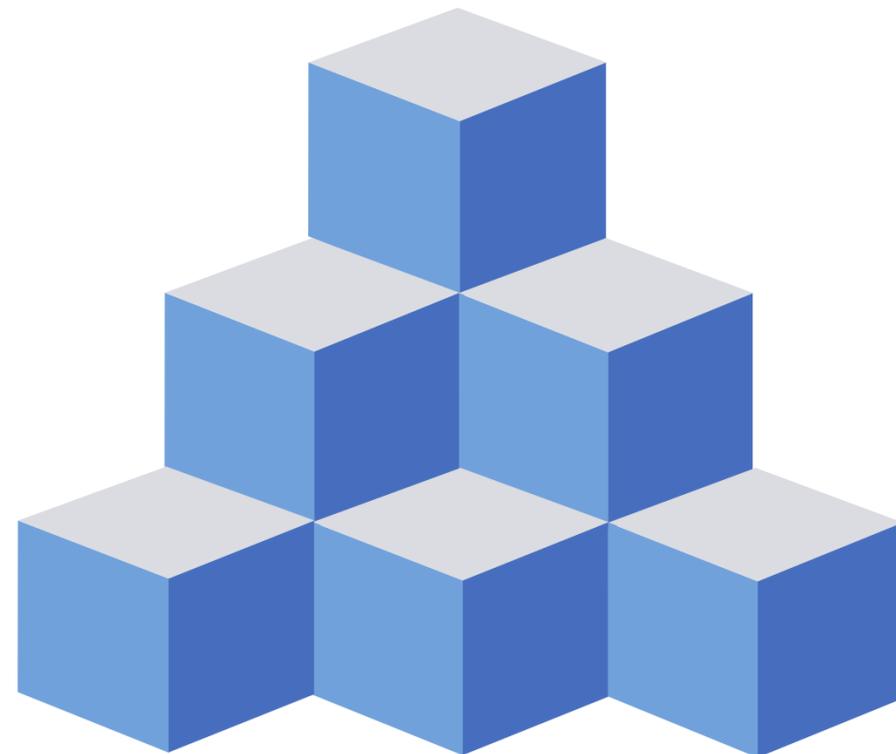
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What do you believe to be the best tool to measure the level of development in a country?

Multi-dimensional Nature of Economic Development



Indicators

Development is a complex and intricate thing to measure. To classify countries economist use a variety of indicators.

Indicator

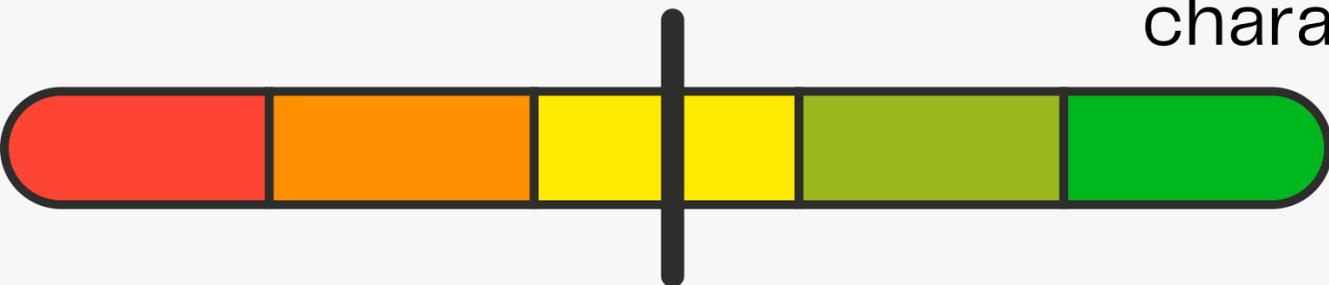
A measure of a certain characteristic

Single Indicator

The measure of a single characteristic of development

Composite Indicator

The measure of a multiple characteristics of development



Indicators

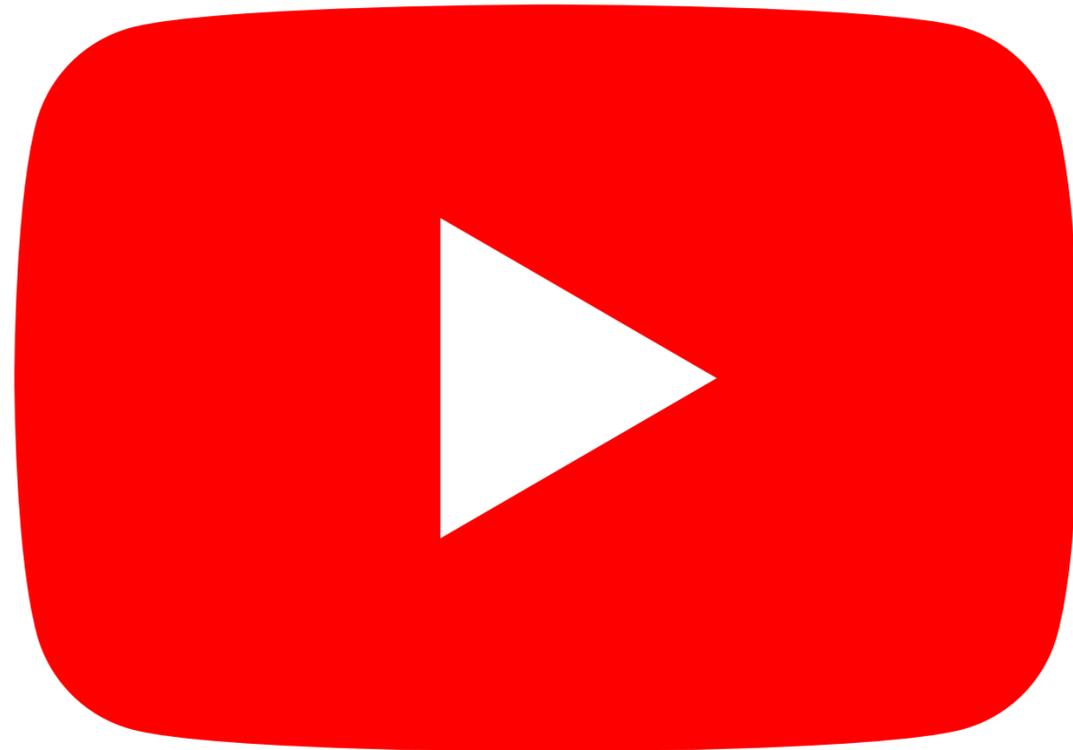
Strengths of indicators to measure development

- Provides data over time to analyze progress and a point of comparison
- Data can determine which specific sectors of development are in urgent need.
- Data can guide government policy and determine the effectiveness of legislation.

Limitation of indicators to measure development

- Indicators presented as an average are flawed by hiding extreme conditions
- Gathering data is difficult financially and logistically.
- Informal economic activity is hidden. Poorer countries tend to have a large amount of informal economic activity.
- Cannot capture the complexity of development.

Just How Multi-Dimensional is Development?



See how the rest of the world lives, organized by
income | Anna Rosling Rönnlund

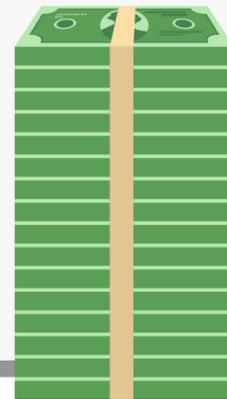
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Dollar Street

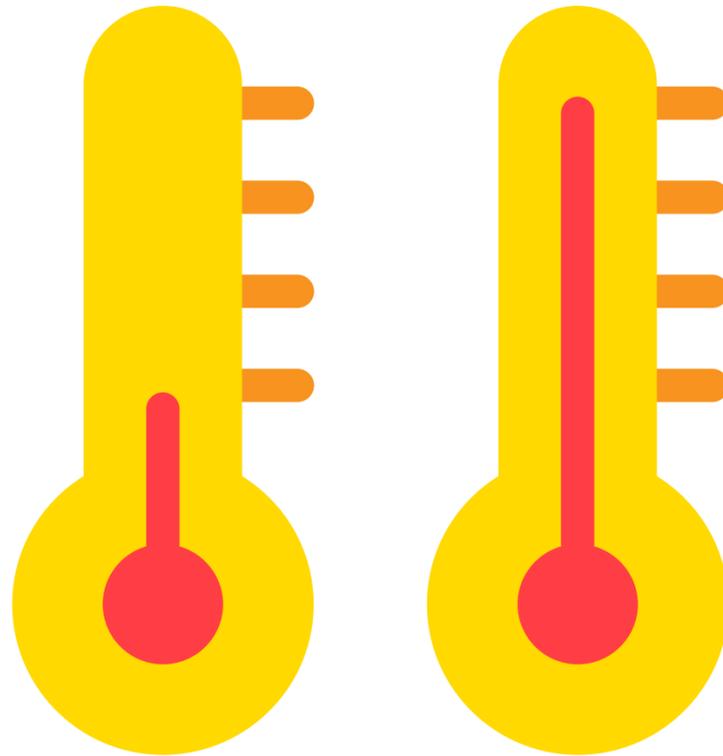
Where do you think you fall on dollar street?

When you make your decision, select that range on Dollar Street and compare your house to the ones listed.

CLICK HERE



Single and Composite Indicators



Single Indicators

Single indicators use only one factor to measure the development of a country.

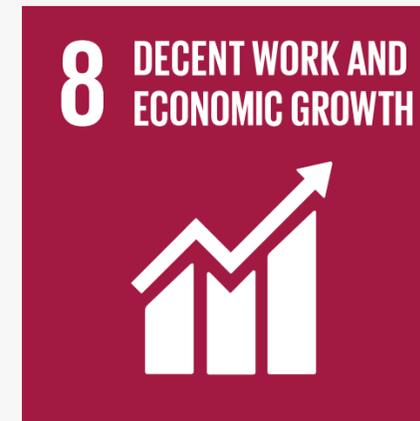
Examples of single indicators that aim to measure development

Income

- GDP/GNI per person (per capita) at PPP
- Absolute and relative poverty headcounts

• Health and education indicators

- Life expectancy at birth
- Infant mortality rate
- Average years of schooling
- Expected years of schooling (typically an age)
- Adult literacy rate



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Examples of single indicators that aim to measure development

Economic/social inequality indicators

- Income equality (Gini coefficient)
- Access to resources by social group
- Gender ratio for average years of school
- Gender representation in government

Energy indicators

- Source of energy (hydropower, solar, wind vs coal, gas, etc.)
- Renewable energy
- Energy consumption per capita

Environmental indicators

- Carbon footprint
- Ecological footprint



Composite Indicators

Because development is so complex to measure and no single indicator provides a holistic picture, it's often preferable to use a composite indicator.

Examples of composite indicators that measure poverty

Human Development Index (HDI)

- Used by the UN to determine the quality of life.
- **3 main factors include:**
 - GDP Per Capita (Economic-Well Being)
 - Life Expectancy (Healthcare)
 - Average and Expected Years of Schooling (Education)

Gender Inequality Index (GII)

- Main factors:
 - Reproductive Health (infant mortality, adolescent birth rate)
 - Empowerment (government seats, gender ratio in education)
 - Economic status (labor force participation gender ratio)



Composite Indicators

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Examples of composite indicators that measure development

Inequality-adjusted Human Development Index (IHDI)

- Similar to HDI but takes into account inequalities for life span at birth, education, and income.

Happy Planet Index (HPI)

- Essentially divides HDI by the country's ecological footprint to determine its sustainability.
- Many developed countries score high in HDI but not HPI because they overuse resources. In contrast many countries in Asia and Latin America such as Costa Rica, score very high in HPI.



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