

Chapter 39

Measures of economic development

Key terms

1. Emerging countries : middle-income countries which could become high-income countries over the next 20 or 30 years. Another term used to describe this group is newly industrialised countries (NICs)
2. BRIC countries - four countries : Brazil, India, Russia, China. Countries had high growth prospects.
3. Tiger economies : economies with very high growth rates, such as have been experienced by South Korea, Singapore, HK, Taiwan in the past.
4. Developed or less developed countries: broadly, middle-income and low income countries
5. Economic development: improvement over time of a wide range of economic indicators such as GNI, life expectancy, educational achievement, access to clean water and mobile phone connections.
6. Human Development Index(HDI): a measure of development developed by the United Nations based on three components: health, education and income.
7. Indicators of development: the range of data which is used to help measure development such as GNI, life expectancy, and the percentage of adult male labour in agriculture.
8. Low income countries: sometimes called least developed countries

1. Growth VS Development

- **Economic growth** is an increase in national output in the short run and an increase in country's productive potential in the long run.
- **Economic development** is an increase in welfare and quality of life, better education, health and nutrition, less poverty, cleaner environment, more equality of opportunity greater freedom, and rich of cultural life.

2. Classification of countries

- Countries differ in their level of economic development. Economist, politicians, government agencies and world organisations, such as the world bank, the IMF and the OECD, classify countries and band then into groups for various purposes.
- Examples of these classifications include the following.

2.1 High-income , middle-income and low-income countries

- It can be measured by GDP per capita and measured by PPPs.

Other classifications

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3. Characteristics of developing countries

Understanding the characteristics of developing countries will help you to understand some of the measures of development

Characteristic of developing countries

- => low GDP per head
- => Large proportion of labour in primary sector e.g agriculture
- => poor farming
- => low life expectancy | poor health care provision
- => high mortality rate
- => fast population growth due to high birth rate, high death rate
- => low education level
- => poor standard of living
- => poor nutrition.

4. Measures of economic development - Human development index

- This is a composite index based on 3 dimensions or components of development. The 3 dimension of development are measured using 3 indicators :
- **Human Development Index (HDI)** : a measure of living standards which takes into account income, education and life expectancy.
 1. **Income** measured by real GDP per head(real income per person)
 2. **Education** measured by measured by mean year of schooling (average number of years of education received by people aged 25 years and older)
 3. **Health** measured by life expectancy

=> maximum value of 1

HDI value	below 0.5 - low development
	0.5-0.79 -> medium
	0.8-0.9 - high
	0.9-1.0 - very high; Norway

=> **Advantages of HDI**; It includes 3 areas of economic welfare; average income, education, healthcare.

5. The inequality-adjusted human development index (IHDI)

- This index is a modification of HDI by including inequality.
- The 3 measured; real GDP per head, mean year of schooling and life expectancy are adjusted for degree of inequality.

6. Other measures of development

It is possible to judge economic development by considering a variety of statistics on their own or, as is more common, in addition to the HDI. The World Bank publishes a wide variety of development indicators.

6.1 The percentage of adult male labour in agriculture

6.2 Access to clean water

6.3 Energy consumption per capita

6.4 Access to internet per thousand of the population

6.5 Access to mobile phones per thousand of the population

6.6 Access to doctors per thousand of the population

6.7 Using indicators to measure economic development

