



An illustration of alternative index to the GDP : **the Human Development Indices** ¹

The Human Development Index (HDI) is an index used to rank countries by level of "human development", which usually also implies whether a country is developed, developing, or underdeveloped.

The Human Development approach arose in part as a result of growing criticism to the leading development approach of the 1980s, which presumed a close link between national economic growth and the expansion of individual human choices. Many, such as Dr. Mahbub ul Haq, the Pakistani economist who played a key role in formulating the human development paradigm, came to recognize the need for an alternative development model due to many factors.

As of 1990, the human development concept was applied to a systematic study of global themes, as published in the yearly global Human Development Reports under the auspice of the UNDP. The work of Amartya Sen and others provided the conceptual foundation for an alternative and broader human development approach defined as a process of enlarging people's choices and enhancing human capabilities (the range of things people can be and do) and freedoms, enabling them to: live a long and healthy life, have access to knowledge and a decent standard of living, and participate in the life of their community and decisions affecting their lives.

Human development has always been flexible and "open-ended" with respect to more specific definitions. There can be as many human development dimensions as there are ways of enlarging people's choices. The key or priority parameters of human development can evolve over time and vary both across and within countries.

HDI in details

The HDI sets a minimum and a maximum for each dimension, called goalposts, and then shows where each country stands in relation to these goalposts, expressed as a value between 0 and 1

The educational component of the HDI is comprised of adult literacy rates and the combined gross enrolment ratio for primary, secondary and tertiary schooling, weighted to give adult literacy more significance in the statistic. Since the minimum adult literacy rate is 0% and the maximum is 100%, the literacy component of knowledge for a country where the literacy rate is 75% would be 0.75, the statistic for combined gross enrolment is calculated in a analogous manner.

The life expectancy component of the HDI is calculated using a minimum value for life expectancy of 25 years and maximum value of 85 years, so the longevity component for a country where life expectancy is 55 years would be 0.5.

For the wealth component, the goalpost for minimum income is \$100 (PPP) and the maximum is \$40,000 (PPP). The HDI uses the logarithm of income, to reflect the diminishing importance of income with increasing GDP. The scores for the three HDI components are then averaged in an overall index.

Criticisms to HDI

The Human Development Index has been criticized on a number of grounds, including failure to include any ecological considerations, focusing exclusively on national performance and ranking, and not paying much attention to development from a global perspective. The index has also been criticized as "redundant" and a "reinvention of the wheel", measuring aspects of development that have already been exhaustively studied. The index has further been criticized for having an inappropriate treatment of income, lacking year-to-year comparability, and assessing development differently in different groups of countries.

Economist Bryan Caplan has criticized the way scores in each of the three components are bounded between zero and one, so rich countries effectively cannot improve their ranking in certain categories, even though there is a lot of scope for economic growth and longevity left, "This effectively means that a country of immortals with infinite per-capita GDP would get a score of .666 (lower than South Africa and Tajikistan) if its population were illiterate and never

¹ Sources :

http://fr.wikipedia.org/wiki/Indice_de_d%C3%A9veloppement_humain

<http://hdr.undp.org/en/>

went to school." [9] Scandinavian countries consistently come out top on the list," he argues, "because the HDI is basically a measure of how Scandinavian your country is."

The HDI has been criticized as a redundant measure that adds little to the value of the individual measures composing it; as a means to provide legitimacy to arbitrary weightings of a few aspects of social development; as a number producing a relative ranking which is useless for inter-temporal comparisons, and difficult to compare a country's progress or regression because the HDI for a country in a given year depends on the levels of, say, life expectancy or GDP per capita of other countries in that year. However, each year, UN member states are listed and ranked according to the computed HDI. If high, the rank in the list can be easily used as a means of national aggrandizement; alternatively, if low, it can be used to highlight national insufficiencies. Using the HDI as an absolute index of social welfare, some authors have used panel HDI data to measure the impact of economic policies on quality of life.

Ratan Lal Basu criticizes the HDI concept from a completely different angle. According to him the Amartya Sen-Mahbub ul Haq concept of HDI considers that provision of material amenities alone would bring about Human Development, but Basu opines that Human Development in the true sense should embrace both material and moral development. To quote: 'So human development effort should not end up in amelioration of material deprivations alone: it must undertake to bring about spiritual and moral development to assist the biped to become truly human.'

A specific HDI : the human poverty index (HPI)

If human development is about enlarging choices, poverty means that opportunities and choices most basic to human development are denied. Thus a person is not free to lead a long, healthy, and creative life and is denied access to a decent standard of living, freedom, dignity, self-respect and the respect of others. From a human development perspective, poverty means more than the lack of what is necessary for material well-being.

For policy-makers, the poverty of choices and opportunities is often more relevant than the poverty of income. The poverty of choices focuses on the causes of poverty and leads directly to strategies of empowerment and other actions to enhance opportunities for everyone. Recognising the poverty of choices and opportunities implies that poverty must be addressed in all its dimensions, not income alone.

The Human Development Report 1997 introduced a human poverty index (HPI) in an attempt to bring together in a composite index the different features of deprivation in the quality of life to arrive at an aggregate judgment on the extent of poverty in a community.

Rather than measure poverty by income, the HPI uses indicators of the most basic dimensions of deprivation: a short life, lack of basic education and lack of access to public and private resources. The HPI concentrates on the deprivation in the three essential elements of human life already reflected in the HDI: longevity, knowledge and a decent standard of living. The HPI is derived separately for developing countries (HPI-1) and a group of select high-income OECD countries (HPI-2) to better reflect socio-economic differences and also the widely different measures of deprivation in the two groups.

* The first deprivation relates to survival: the likeliness of death at a relatively early age and is represented by the probability of not surviving to ages 40 and 60 respectively for the HPI-1 and HPI-2.

* The second dimension relates to knowledge: being excluded from the world of reading and communication and is measured by the percentage of adults who are illiterate.

* The third aspect relates to a decent standard of living, in particular, overall economic provisioning. For the HPI-1, it is measured by the unweighted average of the percentage of the population without access to safe water and the percentage of underweight children for their age. For the HPI-2, the third dimension is measured by the percentage of the population below the income poverty line (50% of median household disposable income).

* In addition to the three indicators mentioned above, the HPI-2 also includes social exclusion, which is The fourth dimension of the HPI-2 . It is represented by the rate of long term unemployment