Part I

Defining Development

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How can one recognize a developing country? Is it characterized by low incomes per head? If so, how would one class the economies of the Middle East, which are relatively rich? Or is it the significance of industry in these economies? If so, where do the countries of Eastern Europe stand? As these questions indicate, simple one-dimensional definitions of development will not stand up to scrutiny. Development is a multi-dimensional process, one that changes the economy, polity and society of the countries in which it occurs.

Attempts have been made from time to time, however, to find simple patterns that may explain development and describe developing countries. Thus, in 1966 Horowitz described the Third World as a 'self-defined and self-conscious association of nation states', which had the following characteristics:

> First, it tends to be politically independent of both power centres, the United States–NATO complex and the Soviet–Warsaw Pact group. Second, the bulk of the Third World was in a colonial condition until World War II. Third, it draws its technology from the First World while drawing its ideology from the Second World. Thus, the Third World is non-American, ex-colonial, and thoroughly dedicated to becoming industrialised, whatever the economic costs. (Horowitz, 1966, p. 17)

Though dated, and far too general to be useful in practice, this definition does provide a flavour of the persuasions of, and contradictions within, the peoples of the Third World. A similar, broad characterization of development was put forward by Kuznets (1973), who maintained that development required high rates of growth of per capita Gross National Product (GNP), of population and of total factor productivity (especially labour productivity). It also required high rates of structural transformation from agriculture to industry as well as high rates of social, ideological and political transformation (through modernization). This in turn involves increased rationality, planning, equality and improved institutions and attitudes. It also requires greater international economic links through increased exports and greater international influence.

The building blocks for development

In Part I, we will build up the concept of development. We begin with the premiss that development means progress in a range of areas. It must mean economic progress, of course, but it must also involve social and political progress, as well as the fulfilment of basic human needs – material, emotional and cerebral. Each of these components is itself not easy to define. Economic progress itself is not uni-dimensional: it requires growth (discussed in chapter 1), structural change (chapter 2) and distributive

equity (chapter 3). In addition to this, social and political progress also need to be included. These aspects of progress are hard to define because they are subjective, and therefore influenced by ideology, ethics and principles. In fact, what constitutes progress in social terms has become controversial (see chapter 6). Is it really progressive to lead independent lives in cities rather than dependent, community-based lives in rural areas? While most writers would agree that, *ceteris paribus*, more income is better than less, there is considerable disagreement about whether more urbanization is better than less. These issues are dealt with in later parts of the book.

In what follows, we will set out a number of stylized facts relating to development, which will sequentially build up the concept. These stylized facts stem from the development experience of the developed countries and are, in this sense, Eurocentric. While they provide us with a starting-point for our analysis of development, they cannot be seen as forecasts of what will happen in today's developing countries. This will be seen as we go further in this book. In fact, there is considerable debate about each of these 'facts', and the book deals with many of these debates in greater detail in the chapters that follow.

Growth and structural change

Development requires growth as well as structural change. A large majority of the population of developing countries tends to be involved in non-manufacturing activities, and in the beginning at least, a large proportion of their GNP is produced by the primary sector. However, as productivity in agriculture increases, fewer people can be employed within this sector, leading to a shift of workers towards the industrial sector. In developing countries, however, insufficient opportunities for employment in manufacturing have meant that though the output of the agricultural sector is increasing and its share in overall Gross Domestic Product (GDP) is decreasing (showing that the share of manufacturing is increasing), the proportion of people employed within this sector is still relatively high.

Distributive equity

In general, countries at lower income levels have higher levels of inequality than richer countries. Development requires a relatively even distribution of income, and initial expectations were that growth would result in improved incomes for all. However, the relationship between growth and equity is not linear (see chapter 3). In fact, there seems to be some evidence to suggest that inequality might increase and then decrease as we move from lower to higher income levels (Kuznets, 1955). This is the inverted U-relationship found by Kuznets, and there is considerable controversy regarding its existence.

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'Modernization'

It is generally accepted that developing countries tend to be traditional rather than 'modern', in that they have significant extra-economic distinctions based on caste, religion and language, all of which still matter in these countries. In developed countries, many of these differences have been subsumed under the economic distinction. Additionally, while there is more emphasis on individuality in the latter, there is greater emphasis on communitarian living in the former (see chapter 5). While modernization theories have been strongly criticized in the past two to three decades, many writers and policy-makers continue to see development requiring a shift towards the 'modern' and away from the 'traditional' (chapter 5). The desirability of such change, however, is questioned (chapter 6).

Political transformation

Drawing from Western development experience, it is often argued that political freedom must accompany growth, if it is to be termed development. Thus, many writers maintain that freedom is greatest within democracies, and therefore development requires democracy. This argument has influenced the transitions taking place in the East European countries, for instance, and has begun to bear fruit in East Asia, where political freedoms are increasing. However, the exact dimensions of such political change are debated – is freedom really so great in democracies? are all developed countries democracies of the same kind? These are both questions which have attracted attention. We consider them further in chapter 7.

Demographic characteristics

Development implies improvements in hygiene and sanitation, and a corresponding decrease in death rates. Further development results in the emancipation of women, and increases parental aspirations *vis-à-vis* their children. These changes lead to a decrease in birth rates, resulting in a demographic transition from high birth and death rates, to high birth and low death rates, and finally to low birth and low death rates at the highest stages of development. This demographic transition is based on the experiences of the developed economies. In today's developing world, death rates have fallen faster than before, but birth rates are taking longer to decrease, as we will see.

Rural–urban migration

Allied to the change in the structure of the economy is a shift in population from the rural to the urban sector as development takes place. This shift also results in expanding cities, and further reinforces individuality

and rational thinking, as the modernization theorists argued. In reality, of course, urbanization in developing countries has not accompanied development in the same way as it did in the developed countries. The characteristics of the former are very different, as we will see in chapter 11.

Education and health

Development implies fulfilment of basic human needs, including those for education and health. In most developed countries, the demographic and epidemiological transitions have resulted in an ageing population with very high rates of life expectancy. Similarly, there is almost universal primary and secondary education. Whether this comes prior to development, or after it, is still a question that needs to be answered.

Employment

Development requires the benefits of growth to trickle down, and employment provides the surest way of achieving this. In developed countries, such employment is also largely in the industrial or productive tertiary sector. In developing countries, employment is largely rural or in the unproductive tertiary sector (which merely provides ways of surviving in the face of poverty).

   The above stylized facts present a picture wherein development requires growth and structural change, some measure of distributive equity, modernization in social and cultural attitudes, a degree of political transformation and stability, an improvement in health and education so that population growth stabilizes, and an increase in urban living and employment. Of course, this is a stylized picture, which reflects an ethnocentric version of development, drawing on the experiences of today's developed countries. We have already touched upon ways in which the experiences of developing countries do not mirror these exactly. We will consider these in more detail as we go along.

1

Growth and Development

As indicated earlier, simple one-dimensional definitions of development do not stand up to scrutiny. Development requires the growth of output as well as structural, social and, possibly, cultural change. Since quantifying such change is not easy, development has often been equated with economic growth. The assumption underlying this was that growth would 'trickle down', but experience has taught us that this is inadequate. Later definitions therefore turned to considering the 'quality of life' more directly instead. Attempts have been made to quantify the 'quality of life' by means of multi-dimensional indices. The most popular and up to date of these is the Human Development Index (HDI), which is based on the level of output, life expectancy (a proxy for health) and adult literacy (a proxy for education).

This chapter considers the Human Development Index and other measures of development in more detail. It also describes the evolution of the term 'development' and its shift away from 'economic growth' through 'basic needs' towards even broader definitions. We note that in spite of moving away from an exclusive focus on the economic dimensions of development, growth remains a very significant aspect of development. We will therefore begin by considering how growth is measured, and the shortcomings of this measure, before we consider the relationship between growth and development.

Growth as a measure of development

Growth is a measure of sustained increases in output or Gross Domestic Product (GDP). It therefore helps to provide an indication of potential

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improvements in living standards and quality of life in the future. People's standards of living depend upon their incomes, which in turn are related to GDP per capita (see box 1.1). The significance of growth for development was summarized succinctly by Robert Lucas when he said:

> Rates of growth of real per capita income are so diverse, even over sustained periods . . . Indian incomes will double every 50 years; Korean every 10. An Indian will, on average, be twice as well off as his grandfather; a

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Box 1.1   The measurement of growth

Growth is usually measured as the rate of change in Gross Domestic Product (GDP) of a country over a specified time period. The GDP is the total quantity of goods and services produced in an economy in a given period of time, usually one year. When comparing countries of different sizes, this measure has to be normalized by the size of population to give the GDP *per capita*. To compare GDP per capita across countries, we need to find some way of converting it into a common measure. One way is to express the national income figures in a common currency. However, this will still not provide a realistic comparison because many products could be cheaper in a country like India than, say, in the UK[1]. Since £1 will buy more products in India, for instance, than it will in the UK, we need to take the purchasing power parity[2] or real exchange rate[3] between countries. While there are many ways to calculate such a measure, they all involve selecting a comparable basket of goods and services from each country and constructing international prices by averaging the prices of each good and service across countries. The national incomes of each country can then be valued at these international prices, making them comparable because they are now in the same currency and at comparable prices.

However, even after these adjustments, the GDP measure remains problematic, especially in developing countries. First, GDP per capita does not include estimates for non-marketed[4] output. Since output from subsistence farms, food, fuel and other items gathered from forests can be quite high in developing countries, GDP per capita might significantly underestimate real income levels in these economies.

Second, GDP per capita is an average measure and does not take differences in distribution into account. This is especially important when one's concern is the economic well-being of the majority. It is also important when income distributions are skewed, as in many developing countries. Attempts to correct this measure for unequal income distributions have included the introduction of 'poverty weights' which would place more weight on the growth of incomes for the lowest 40% (Ahluwalia, 1974) or the use of the absolute income level of the lower 40%. However, even these suggestions do not take the intra-household[5] distribution of incomes and consumption into account or the extent to which people fall below the poverty line (i.e. do they miss one meal a day or two?).

Finally, of course, GDP itself (or its dynamic counterpart, growth) does not reflect welfare in the economy. The latter depends upon other factors like leisure, health, education and the environment.

[1] These differences in price are not captured in different exchange rates, because exchange rates only take traded goods into account. However, there are a large number of non-traded goods that people tend to purchase regularly, and their prices will also be important. Additionally, the range of non-traded goods is likely to be higher in a less developed country. In such a case, there will be a downward bias to the developing countries' income figures.

[2] Purchasing power parity (PPP) is a condition that holds when the prices of goods in different countries are equalized once adjustments are made for the exchange rate.

[3] The real exchange rate is an index that gives the opportunity cost of foreign-produced goods in terms of domestically produced goods.

[4] This includes output from gardens, subsistence farms, work done at home without monetary payments. In short, it includes all output that is not traded through the market.

[5] Intra-household distribution implies distribution within a single household. Thus, while a household may not be poor from the point of view of its income, some members within it may be disadvantaged with regard to consumption. It is often claimed, for instance, that female household members consume less than male members, and that less is invested in female education and health.

Korean 32 times . . . I do not see how one can look at figures like these without seeing them as representing possibilities. Is there some action a government of India could take that would lead the Indian economy to grow like Indonesia's or Egypt's? If so, what exactly? If not, what is it about the 'nature of India' that makes it so? The consequences for human welfare involved in questions like these are simply staggering: Once one starts to think about them, it is hard to think about anything else. (Lucas, 1988, p. 4)[1]

In spite of early acceptance that growth was necessary for economic development, it was also recognized that it was not sufficient. If growth is to lead to economic development, the benefits of growth must trickle down to everybody, increasing economy-wide living standards and eradicating poverty. Growth is therefore simply the means to an end. In many countries where high GDP growth rates have not translated into improved living conditions for the poor, this measure cannot be seen as a proxy for development. On the other hand, some countries with low incomes have managed, through skilful government intervention, to achieve better conditions of life for their poor. Thus, the assumption of 'trickle down' underlying the use of GDP as a measure of development has been falsified by the experience of developing countries themselves. By the early 1970s, the search was on for broader measures of development.

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Broader measures of development

In 1968, under the presidency of Robert McNamara, a World Bank study came to the conclusion that though many developing countries had achieved high rates of growth, poverty and inequality had worsened (Morawetz, 1977). This led to a policy shift within the Bank towards direct attempts to tackle poverty rather than relying on trickle-down.

In the 1970s, the World Bank and others within the development community began to prioritize basic sectors like housing, education and agriculture directly. The strategy continued to emphasize incomes and growth (i.e. it was income-centred) as the means to these ends. It sought to increase incomes sufficiently to allow all groups to purchase these necessities from the market. The state was expected to step in and provide what could not be purchased. The approach was gradualist, and expected improvements to occur over time.

It retained many problems of the income-based approaches, and faced considerable criticism. These criticisms led to the International Labour Organization (ILO) placing 'the satisfaction of basic human needs' and the generation of employment at the centre of its 1976 World Employment Conference. The conference concluded that if the aim of development was to make the basic necessities of life available to a majority of the population, then a concentration on these 'ends', rather than on GDP as the 'means' to achieve them, would yield better results.[2] It therefore saw basic needs as including two main elements: 'first, they include certain minimum requirements of a family for private consumption: adequate food, shelter and clothing, as well as certain household equipment and furniture. Second, they include essential services provided by and for the community at large, such as safe drinking water, sanitation, public transport and health, educational and cultural facilities' (ILO, 1976b). Thus, there was an individual aspect to basic needs and a communitarian or state-related aspect. In addition to basic needs, the conference also recognized the need for employment and for the participation of people in decision-making processes.

While this approach was welcomed as focusing on the 'ends' of decreasing poverty, there was concern within the countries of the Third World that exclusive concentration on this in international funding policies would discourage industrialization, and therefore reduce their chances of economic progress (Singh, 1979). Before long, however, it was seen that providing basic needs on a *sustainable* basis would require economic growth (and therefore probably industrialization). Thus, the basic needs approach led back to the income-centred approach. The difference was in the priority given to growth. Whereas the latter saw income growth as the priority and assumed that it would trickle down, the

basic needs approach saw income growth as simply instrumental in achieving the primary goal – the alleviation of poverty.

Once this dual relationship was established, many studies attempted to analyse whether GDP and basic needs satisfaction were empirically correlated with each other. Such a correlation, if it existed, would allow analysts to concentrate on the simpler GDP measure without loss of generality. However, the results were contradictory, and varied considerably according to the measures used for basic needs, the sample of countries being studied, and the level of aggregation of the economic indicators used. Thus, Morawetz (1977) found a weak correlation between the level of GNP[3] and indicators of basic needs fulfilment, and even less correlation between the growth of GNP and improvements in basic needs. Sheehan and Hopkins (1978), on the other hand, concluded that GNP per capita was the most important variable explaining the level of basic needs satisfaction. More recently, in a paper entitled 'Identifying the Poor in Developing Countries: Do Different Definitions Matter?', Glewwe and van der Gaag (1990) compared a number of commonly used measures of poverty – per capita income, household consumption, per capita food consumption, food ratio (proportion of household budget spent on food), calories, medical data and basic needs indicators – using data on Côte d'Ivoire. They found that the groups identified as poor vary depending on the definitions used. More specifically, while income and consumption measures are quite closely correlated, the other (medical/educational) measures have little or no correlation with these.

Since no conclusive relationship could be proved between GNP/GDP and basic needs, the former could not be used as a simple proxy for the latter. Attempts were therefore made to develop a single basic needs index to enable comparison between countries. The first of these was the 'level of living' index (Drewnowski and Scott, 1966), which was followed by the 'development index' developed by McGranahan et al. (1972). The approach became popular as the 'physical quality of life' index (PQLI) developed by Morris and Liser (1977). The PQLI was composed of three indicators – life expectancy at age 1, infant mortality and literacy – each of which was given an equal weight. This arbitrary weighting mechanism received much criticism, with Hicks and Streeten (1979) concluding that 'analytical work can be undertaken using the component indices almost as easily as with the composite index' (p. 576). Larson and Wilford (1979) also criticized the PQLI composite, because they found that the three indicators were very highly correlated with each other, and that any one on its own would serve equally well to rank countries. In addition to this, the PQLI suffered from all the problems of an index (scaling, weighting, changes over time, and limitations to the number of indicators included).

Notwithstanding these criticisms, the United Nations Development Programme (UNDP) has attempted to improve and extend the

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PQLI to develop a more comprehensive and detailed index called the 'Human Development Index' (HDI) and its poverty analogue, the 'Human Poverty Index' (HPI). The HDI focuses on the capability perspective on poverty – 'poverty represents the absence of some basic capabilities to function', ranging from physical ones like food, clothing and shelter to more complex ones like participating in community life. This capability approach 'reconciles the notions of absolute and relative poverty, since relative deprivation in incomes and commodities can lead to an absolute deprivation in minimum capabilities' (UNDP, 1997, p. 16).

The human development index measures the average achievements of countries in three basic dimensions of human development – longevity, knowledge and a decent standard of living. Life expectancy levels are used to measure longevity, while adult literacy and enrolment in primary, secondary and tertiary education are taken together to reflect educational achievements. Finally, real GDP per capita is used to measure the standard of living (in PPP–purchasing power parity–dollars). The HDI has also been extended to allow for inequalities of achievement between men and women (the gender-related development index), and between different classes and geographical regions.

Thus, the measurement of development has come a long way since growth was seen as a proxy for development. While it is accepted that there are many problems with indices of this kind (see UNDP, 1997), and the UNDP itself is trying to improve the HDI and HPI, these are the only available measures for comparing development across countries in quantitative terms. As such, they provide a reasonable summary of levels of development, though they may not be accurate in the detail or as comprehensive as desired.

The Millennium Development Goals (MDGs) put forward at the United Nations Millennium Summit (2000) indicate a further extension of the definition of development. These goals aim to halve extreme poverty by the year 2015, achieve universal primary education, promote gender equality and empower women, reduce child and maternal mortality, combat AIDS, malaria and other diseases, ensure environmental sustainability, and develop a global partnership for development. Thus, they bring the role of gender equality and environmental sustainability (see chapter 6) into definitions of development. The UNDP itself has published a variant of the HDI, which takes the position of women into account. However, the MDGs highlight their significance by providing specific targets regarding these goals. We will consider these issues further in chapter 6. In the next section we will consider the figures relating to growth and development to see what insights they have to offer.

Empirical evidence on growth

Table 1.1 provides basic growth and development figures for a selection of high-, low- and middle-income countries. It allows us to compare the different measures as well as to consider some basic facts about the growth process across the world. The countries are sorted on the basis of the GNP per capita column.

From table 1.1, we note that Ethiopia had the lowest GNP per capita, while Japan had the highest in 1995 (see column 3). Once this is transformed into a PPP measure, the picture changes somewhat. Ethiopia still has the lowest PPP GNP, but Japan no longer has the highest. Instead, the USA has the highest PPP GNP, with 26,980 relative to 22,110 for Japan (see column 5). Similarly, Sri Lanka has approximately one-half of the GNP per capita of Kazakhstan but a higher PPP GNP figure (3,250 relative to 3,010). Likewise Venezuela has a lower GNP per capita figure than Brazil, but a considerably higher PPP figure (7,900 relative to 5,400). In spite of these exceptions, however, the rankings with respect to GNP per capita are very similar to the PPP rankings.

Comparing the rankings of countries on the GNP and HDI measures (last column, table 1.1), we find that Sri Lanka, Chile, Costa Rica, Tanzania and Thailand do far better on the HDI scale than on the GNP scale. Thus, they have been able, through government intervention and redistributive policies, to spread the benefits of growth to a wide proportion of the population. On the other hand, countries like Saudi Arabia are unable to translate income growth into corresponding levels of human development and consequently perform worse on human development than on GNP.

One of the most striking findings from table 1.1 is that countries like Korea, Singapore and Hong Kong that were considered developing not so long ago have now graduated to the ranks of the 'high-income' countries. This has been achieved through their very high rates of growth (column 4). Thus, Korea (7.7 per cent), Singapore (6.2 per cent), Hong Kong (4.8 per cent), Malaysia (5.7 per cent), Thailand (8.4 per cent), Indonesia (6 per cent) and China (8.3 per cent) have all grown very fast. On the other hand, many countries in Africa and Eastern Europe have grown very slowly. In the latter case, the transition to a market economy has been largely responsible for the poor growth performance. Finally, some of the Latin American countries have fared very badly, with Brazil and Mexico both showing very slow rates of growth. This can be explained as the aftermath of the debt crisis (the 1980s has often been called 'the lost decade' in Latin American development (C. Edwards, 1992)).

Table 1.1 Growth and development indicators

Country	Population (millions), mid-1995	GNP per capita, 1995 $[a]	GNP growth (%), 1985–95[b]	PPP GNP, 1995[c]	*L.E.B at birth (yrs), 1995	Adult literacy (%), 1995	HDI	GNP–HDI[e]
Low income								
Ethiopia	56.4	100	−0.3	450	49	65	0.244	4
Tanzania	29.6	120	1.0	640	51	32	0.357	21
Sierra Leone	4.2	180	−3.6	580	40	—	0.176	−4
Burkina Faso	10.4	230	−0.2	780	49	81	0.221	−9
Bangladesh	119.8	240	2.1	1,380	58	62	0.368	0
Uganda	19.2	240	2.7	1,470	42	38	0.328	−19
Kenya	26.7	280	0.1	1,380	58	22	0.463	5
India	929.4	340	3.2	1,400	62	48	0.446	5
Ghana	17.1	390	1.4	1,990	59	—	0.468	−8
Pakistan	129.9	460	1.2	2,230	60	62	0.445	−19
China	1200.2	620	8.3	2,920	69	19	0.626	3
Sri Lanka	18.1	700	2.6	3,250	72	10	0.711	9
Middle income								
Egypt	57.8	790	1.1	3,820	63	49	0.614	−20
Indonesia	193.3	980	6.0	3,800	64	16	0.668	−7
Bulgaria	8.4	1,330	−2.6	4,480	71	—	0.78	9
Kazakhstan	16.6	1,330	−8.6	3,010	69	—	0.709	6
Tunisia	9.0	1,820	1.9	5,000	69	33	0.748	−12
Russian Federation	148.2	2,240	−5.1	4,480	65	—	0.792	7
Costa Rica	3.4	2,610	2.8	5,850	77	5	0.889	27
Thailand	58.2	2,740	8.4	7,540	69	6	0.833	−8
Poland	38.6	2,790	1.2	5,400	70	—	0.834	14
Botswana	1.5	3,020	6.1	5,580	68	30	0.673	−30
Venezuela	21.7	3,020	0.5	7,900	71	9	0.861	1
Upper-middle income								
South Africa	41.5	3,160	−1.1	5,030	64	18	0.716	−10
Croatia	4.8	3,250	—	—	74	—	0.76	10
Mexico	91.8	3,320	0.1	6,400	72	10	0.853	0

(Continued)

Table 1.1   *(Continued)*

Country	Population (millions), mid-1995	GNP per capita, 1995 $a	GNP growth (%), 1985–95b	PPP GNP, 1995c	*L.E.B at birth (yrs), 1995	Adult literacy (%), 1995	HDI	GNP–HDIe
Brazil	159.2	3,640	−0.8	5,400	67	17	0.783	0
Czech Republic	10.3	3,870	−1.8	9,770	73	—	0.882	3
Malaysia	20.1	3,890	5.7	9,020	71	17	0.832	−13
Hungary	10.2	4,120	−1.0	6,410	70	—	0.857	5
Chile	14.2	4,160	6.1	9,520	72	5	0.891	13
Saudi Arabia	19.0	7,040	−1.9	—	70	37	0.774	−32
Argentina	34.7	8,030	1.8	8,310	73	4	0.884	10
Greece	10.5	8,210	1.3	11,710	78	—	0.923	15
High Income								
Korea	44.9	9,700	7.7	11,450	72	—	0.89	5
Israel	5.5	15,920	2.5	16,490	77	—	0.913	3
Kuwait	1.7	17,390	1.1	23,790	76	21	0.844	−47
UAE	2.5	17,400	−2.8	16,470	75	21	0.866	−17
UK	58.5	18,700	1.4	19,260	77	—	0.931	5
Italy	57.2	19,020	1.8	19,870	78	—	0.921	−4
Canada	29.6	19,380	0.4	21,130	78	—	0.96	7
Hong Kong	6.2	22,990	4.8	22,950	79	—	0.914	−17
France	58.1	24,990	1.5	21,030	78	—	0.946	13
Singapore	3.0	26,730	6.2	22,770	76	9	0.9	−15
USA	263.1	26,980	1.3	26,980	77	—	0.942	−1
Germany	81.9	27,510	—	20,070	76	—	0.924	−3
Japan	125.2	39,640	2.9	22,110	80	—	0.94	0

a GNP per capita = GNP/population.
b GNP growth is average annual growth.
c PPP GNP is the purchasing power parity GNP and is measured in current international $ for 1995.
d *L.E.B = life expectancy at birth.
e GNP−HDI column gives the difference between the GNP ranking of the country and the HDI rankings.

Conclusion

This chapter leads us to conclude that whether we consider the broader 'development' indices or the more narrow income-centred measures of development, GDP per capita remains a major component of development. Ultimately, the ability of an economy to finance health, education, sanitation and other welfare measures must depend upon the income of its economy. In addition, the ability of individuals to purchase food, clothing and shelter as well as education and health facilities must depend upon their individual incomes. All of these are influenced by the GDP of a country, subject to the caveats mentioned above. As we have already seen, performance with respect to growth has varied across the world. Can these differences be explained? What causes growth in some economies but not in others? More importantly, can anything be done to induce an economy to grow? These questions arise naturally from our discussion in this chapter. However, before we consider them in chapter 4, we will consider structural change and industrialization as well as distributional issues in the next two chapters.