

Standard of Living



Ch. 12 (p. 388-393)



Standard of Living

- Definition: a measure of the prosperity and quality of life of a country
- In general, the higher the standard of living of a country, the better the life of its citizens.
- Standards of living can vary greatly from country to country



Measuring Standards of Living

- **Human Development Index**
 - published every year by the United Nations
 - ranks countries by standard of living
 - uses three criteria to determine rankings
 - Education, Health, and Economics



Human Development Index

- Education

- Mean Years of Schooling: average number of years spent going to school
- Expected Years of Schooling: number of years people are expected to go to school for
- Education increases the spread of useful information and leads to better job opportunities



Human Development Index

- Health

- Life expectancy: number of years a baby born that year is expected to live
- People in countries with well-developed medical systems and lots of food/clean water live longer and have better lives.



Human Development Index

- Economics

- Gross National Income (GNI) per capita

- The average income of a person in a year
 - per capita = per person
 - Averaged across population (GNI / total population)
 - More accurate than **Gross Domestic Product (GDP)**
 - GDP: the total value of all goods and services produced in a country in one year

- The more money a person makes, the better its economy, the better the lives of the population.



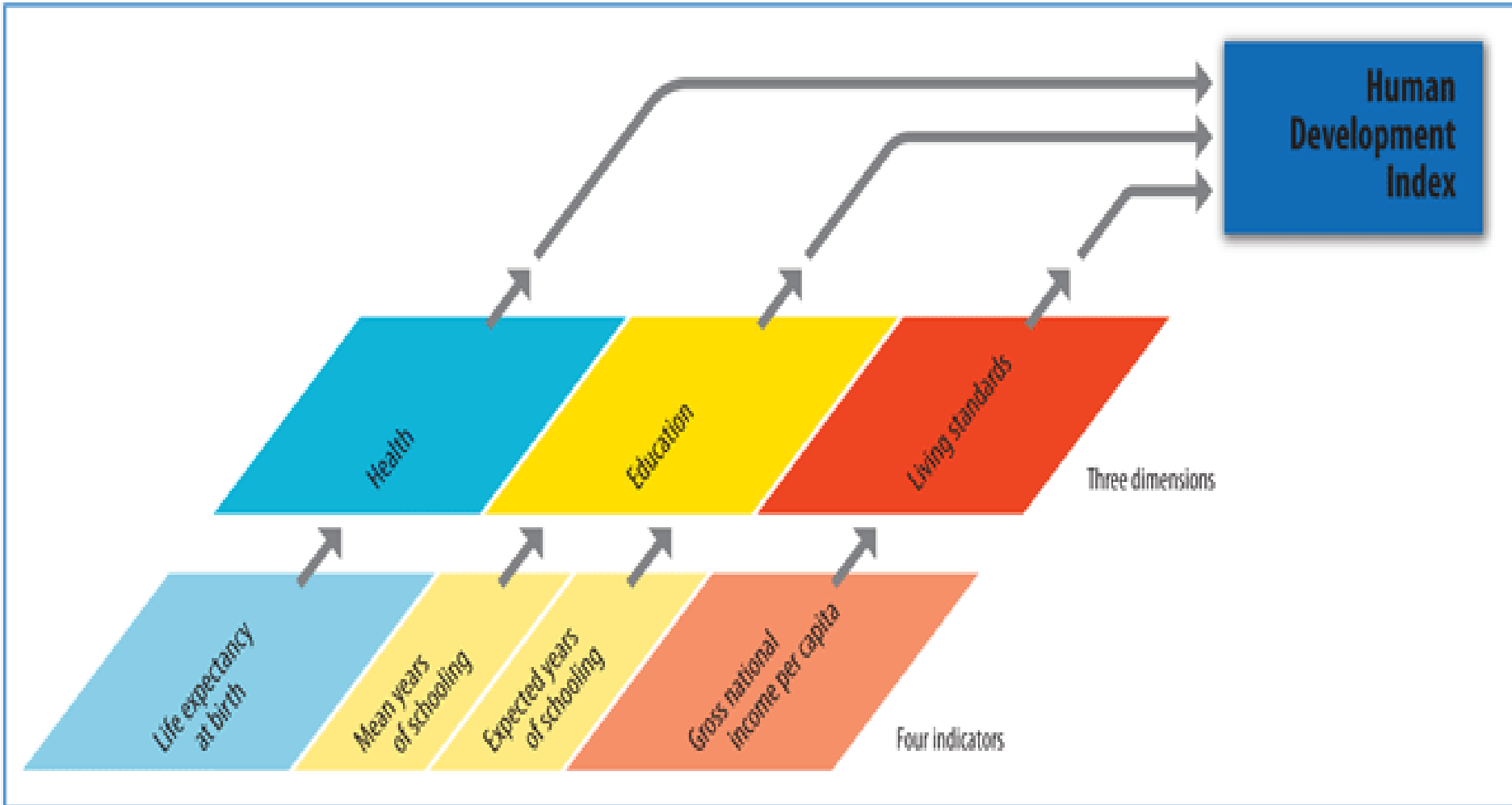
Human Development Index

- Criticisms

- Not all countries keep track of these stats, some lie
- Doesn't take into account the environment, crime, politics, freedoms/rights, etc.
- Doesn't take into account enough statistics
- Much economic activity in poor countries is not reported (ie. trading/bartering, “under the table” cash dealings)
- Relies too much on averages
 - Ex. A country with a small number of super-rich people and many poor people can have a high per capita GNI, and therefore a high ranking (ie. Saudi Arabia).

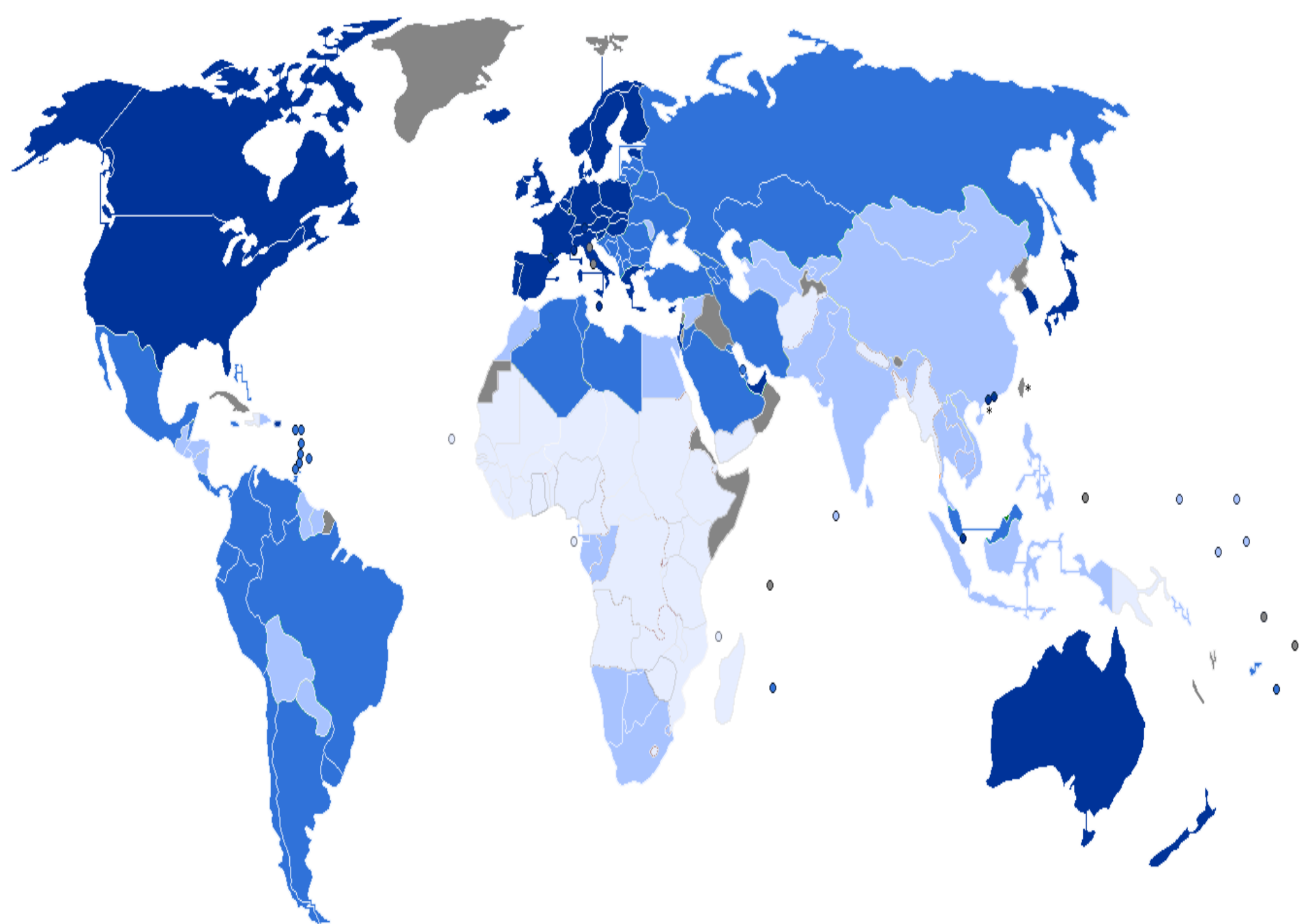
Components of the Human Development Index

The HDI—three dimensions and four indicators



Note: The indicators presented in this figure follow the new methodology, as defined in box 1.2.

Source: HDRO.





Human Development Index

- Canada
 - Traditionally ranks very high in the UN Human Development Index
 - #1 for most of the 1990s
 - #4 in 2009, but #8 in 2010 using new measurements
 - Human Poverty Index - #12
 - Takes into account a country's level of poverty
 - Gender-Related Development Index - #4
 - Takes into account gender differences in health/education/economy
 - Gender Empowerment Measure - #12
 - Measures gender differences in economic and political participation



Classifying Countries

- Countries with similar standards of living are often grouped together into certain categories:
- Developed Countries: industrialized economy, good education and health care systems, little to no population growth (ex. Canada and USA)
- Newly Industrialized Countries: recently shifted from an agricultural to industrialized economy, increasing population (ex. China and India)



Classifying Countries

- Developing Countries: lower standards of living, more agriculturally based economy, inequalities in education/health care, high population growth (ex. Vietnam and Chile)
- Highly Indebted Poor Countries: less developed countries that are greatly in debt with high levels of poverty (ex. Ethiopia and Bolivia)