No.2 The definitions and determinants of development

Goal:

This session aims to understand diverse concepts of "development" and their relationship.

As explained in the previous session, a law is made to transform people's repetitive behavior by imposing normative language ("if you do A, then it shall cause B"). In the law and development context, the transformation directs to "development." Therefore, if it is not clear what development is, the direction is also unclear. In other words, if the definition of "development" is different, the law to achieve it is also different.

1. Introduction

What is the development? This question can be paraphrased to " say the development has achieved or progressed, what is to be accomplished?" In this regard, at least, there are two different ideas: namely, at first, "the increase in wealth is development, " and secondly, "the increase in other values brought about by the increase in wealth is the development."

Question:

(1) What is the problem with the definition of development that states, "the increase in wealth is development"?

(2) If we say that "increase in other value is development," what is the "other value"?

2. Development as the increase in wealth: Economic development

- Amount of wealth: GDP, GDP per capita (GDP/p), and GDP PPP

The concept of development as the increase in wealth is called "economic development." Economic development evaluates the level of development with economic growth. GDP is the most famous indicator to measure economic growth. GDP represents the scale of production of a country. It is a helpful indicator to compare the economic scale of nations. However, the scale of production depends on both productivity and the amount of labor force. In other words, a country that has a large low productive labor force can have large GDP. Therefore, GDP is not enough to classify countries as developing or developed. The most popular development indicator is GDP per capita, which divide GDP by population, thus representing a simple average income of each person. However, it must be noted that GDP per capita ignores the distribution of wealth. GDP PPP is intended to represent the actual purchasing capacity of a country. In a country where goods prices are low, people can enjoy more significant consumption than people in a country where goods are expensive. "PPP" stands for the "Purchasing Power Parity." GDP PPP is adjusted GDP by a relative price level of countries. Many economic statistics of the World Bank and the United Nations organizations uses GDP PPP than simple GDP.

Question:
Please consider what legislative policies are effective to increase GDP per capita.

- Distribution of wealth

As mentioned above, GDP per capita (either adjusted by PPP or not) does not explain how wealth is distributed in a country. If we consider the level of wealth at the sub-national level, the distribution of wealth is significant. It is the equality problem.

There are several methods to evaluate equality in wealth (equality other than wealth shall be discussed later). The Gini coefficient is often used to explain economic inequality within a country. When each people have the same income, the Gini coefficient becomes zero (perfect equality). When only one person occupies all the country's income, the Gini coefficient becomes one (or 100%, perfect inequality). For further information on the Gini coefficient, please refer to:

https://www.youtube.com/watch?v=BwSB__Ugo1s

Question:
The table below compares countries with the highest/lowest GDP per capita and Gini coefficient[4]. Please discuss the economic situation of people in those countries.

Gini's coefficient (worst 10)	GDP/p (worst 10)	GDP/p (top 10)	Gini's coefficient (top 10)
S. Africa (63.0)	Burundi	Luxembourg	Slovenia (24.2)
Namibia (59.1)	Somalia	Switzerland	Czech (24.9)
Suriname (57.6)	Malawi	Norway	Belarus (25.2)
Zambia (57.1)	Niger	Macau	Slovakia (25.2)
S.Tome & Principe (56.3)	C. Africa	Ireland	Moldova (25.7)
C. Africa (56.3)	Mozambique	Iceland	Ukraine (26.1)
Swaziland (54.6)	Afghanistan	Qatar	Azerbaijan (26.6)
Mozambique (54.0)	Madagascar	USA	Iceland (26.8)
Brazil (53.9)	Sierra Leone	Denmark	Norway (27.0)
Belize (53.3)	D.R. Congo	Singapore	Belgium (27.4)

[4] Modified from https://data.worldbank.org/indicator/SI.POV.GINI?most_recent_value_desc=false

However, evaluating equality is not so simple as evaluating GDP per capita. People in a country with zero Gini coefficient is not necessarily happier than people in a country with higher Gini coefficient (Guess, people in Pol Pot's Cambodia or in China under the Great Cultural Revolution is happier than now?)

While the equality implies philosophical political question, it seems obvious that we should address the people who earn income far less to maintain life with dignity as a human being or live under the unjustifiable inequality. In the context of development goal, this can be defined as the development as lack of poverty (see Trebilcock and Prado pp.6-8).

In terms of economic development, the most popular criteria to categorize people in poverty is the individual income per day. The World Bank uses 1.90 USD per day as a threshold of poverty. However, individual income is usually calculated from a household income. Therefore, this number does not reflect inequality in a household. To correct the weakness of the individual income indicator, the Multi-dimensional Poverty Index (MPI) has been developed. MPI is designed to catch the information about whether one or more family members fall into poverty. The table below shows indicators to measure MPI.

Dimensions of Poverty	Indicator	Deprived if living in the household where…	Weight
Health	Nutrition	An adult under 70 years of age or a child is undernourished.	1/6
	Child mortality	Any child has died in the family in the five-year period preceding the survey.	1/6
Education	Years of schooling	No household member aged 10 years or older has completed six years of schooling.	1/6
	School attendance	Any school-aged child is not attending school up to the age at which he/she would complete class 8.	1/6
Standard of living	Cooking Fuel	The household cooks with dung, wood, charcoal or coal.	1/18
	Sanitation	The household’s sanitation facility is not improved (according to SDG guidelines) or it is improved but shared with other households.	1/18
	Drinking Water	The household does not have access to improved drinking water (according to SDG guidelines) or safe drinking water is at least a 30-minute walk from home, round trip.	1/18
	Electricity	The household has no electricity.	1/18
	Housing	Housing materials for at least one of roof, walls and floor are inadequate: the floor is of natural materials and/or the roof and/or walls are of natural or rudimentary materials.	1/18
	Assets	The household does not own more than one of these assets: radio, TV, telephone, computer, animal cart, bicycle, motorbike or refrigerator, and does not own a car or truck.	1/18

In terms of development policy, to reduce poverty, there are two strategies: firstly, increasing GDP to elevate the income of people, including those at the lowest level, and, secondly, revising the distribution of wealth in a country to increase the income of those in the lowest level.

3. Development other than "the increase in wealth"

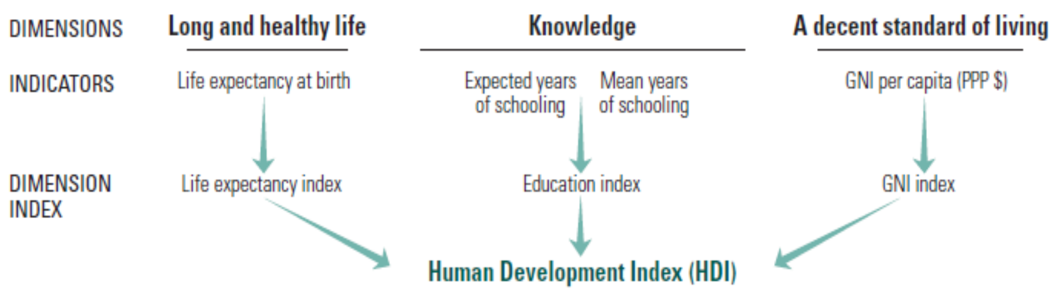
Question:
Why is economic development a good concept as a development?
Why is economic development not sufficient?

Among various ideas of development other than "the increase in wealth," the most influential idea is the Human Development inspired by Amartya Sen's theory of the development as freedom, in which Sen views that " the ends of development should be focused on promoting individual freedom, in the sense of enhancing the ability of individuals to choose to live lives that they have reason to value." (Trebilcock and Prado, p.8). Those values are not only having a better life in material but also having an opportunity to participate in society.

UNDP has published the "Human Development Report" since 1990. According to UNDP, "human development is a process of enlarging people's choices" (Human Development Report 1990, p.10), and "Human development is about enlarging freedoms so that all human beings can pursue choices that they value." (Human Development Report 2018, p.1) "Choice" means that a person can have the capability to do something valued even if the person chooses not to do that. For example, a person with higher education has more choices of jobs than a person without education. If a person can participate in social activities, one can have more chances to alternate its life.

To conduct a cross-country comparison of human development, UNDP proposed the Human Development Index (HDI). HDI aggregates several indicators: life expectancy at birth, schooling years (expected years of schooling and mean years of schooling), and GNI per capita (see figure below[5]).

[5] Human development report 2016



Question:
Why those indicators (life expectancy at birth, schooling years (expected years of schooling and mean years of schooling), and GNI per capita) are selected to calculate HDI?

As Trebilcock and Prado (p.9) say, "while there is a strong positive correlation between per capita income and health and education status, this correlation is not perfect or tight," it is interesting to compare the different levels of achievement in the economic development (GDP per capita) and the human development (HDI). The table below compares GDP per capita and HDI of several developing countries[6].

Ranking in HDI		Ranking in GDP/p
101	Tonga	134
102	Libya	77
103	Belize	89
104	Samoa	117
105	Maldives	97
105	Uzbekistan	126
107	Moldova	138
108	Botswana	75
109	Gabon	63
110	Paraguay	113

[6] Modified from Human development report 2016

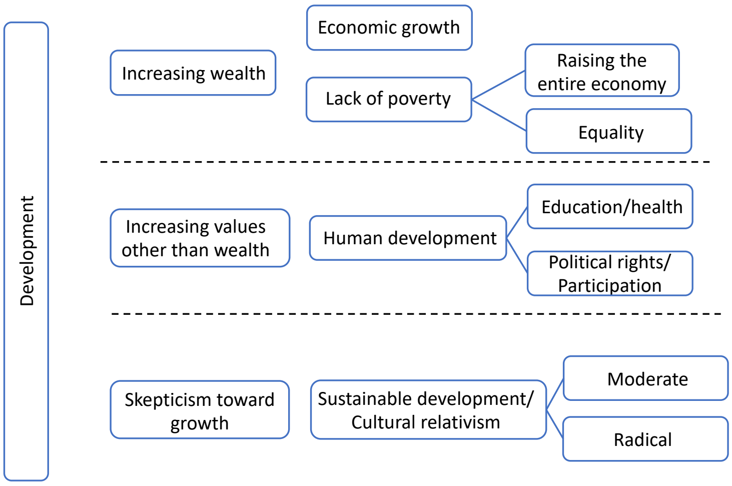
4. The concept of development skeptical toward "growth."

Sustainable development and cultural relativism are arguments that criticize current growth-oriented development.

In the original context, sustainable development means restricting the current generation's growth to protect the basic sustenance of future generations. In other words, sustainable development is "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (Trebilcock and Prado, p.11).

Some theories aim to preserve the environment while maintaining economic growth (decoupling environment and economy). Those theories propose introducing legal mechanisms such as carbon taxing or carbon pricing. However, some scholars question the effectiveness of those legal mechanisms.

Conclusion



The definitions of development are pretty diverse (see figure above) and have varied from time to time. In this lecture, I categorized the definitions of development into two, namely, development as the increase in wealth and development as the increase in values other than wealth. Economic development is a development concept that represents the former. Human development is one of the development concepts included in the latter.

Economic development is further divided into the development strategy pursuing economic growth and the development strategy to reduce poverty.

Human development implies not only the improvement of health and education but also political reform.

If we pursue economic development, the legal policy to achieve development would be to increase investment or increase production and consumption. In contrast, if development means the lack of poverty, it will imply a legal policy of equal distribution of wealth (e.g., progressive taxation).

In the human development concept, allocation of financial resources for the non-economic sector (e.g., education and health) shall be a task of policymakers. Furthermore, if, as Sen says, the removal of social impediments and the guarantee of participation increase human capability, then democracy and the guarantee of political and civil rights shall be the subject of law and development. There are skeptical attitudes toward development, too. Trebilcock and Prado refer to sustainable development and cultural relativism in this regard. Nevertheless, the moderate idea among this group might be compatible with growth. For example, as for environmental sustainability, some insitutional tools have been proposed to incorporate the environment into the market (carbon tax, carbon trading).