

# [Measures of economic development: oecd’s better life index](https://assignbuster.com/measures-of-economic-development-oecds-better-life-index/)

Economic development is a difficult measure to compute reliably due to the diversity of cultures and people groups worldwide. Economic development goes beyond simply measuring percentage increase or decrease in gross domestic product (GDP) or gross domestic income (GNI) to account for and represent change in human wellbeing. Several standards have been created to evaluate well being as a way to monitor economic development. These indicators include the Human Development Index (HDI) created by the United Nations, The Gross National Happiness Index (GNHI), as well as the Better life Index created by the Organization for Economic Co-operation and Development (Knox et al. 18). While each indicator has its benefits the Better Life Index most accurately measures a country’s socioeconomic development as well as economic development. The BLI is unique in accounting for both quantitative and qualitative measures and then combining them to generate an overall ranking. The BLI also retains the individual measures so that countries’ economic development can be compared overall or over certain aspects (“ How’s Life”).

Socioeconomic conditions play an important role in evaluating the economic development of a country or region. Socioeconomic conditions including working conditions, lifestyle factors, economic hardship, amount of social support, and many others help to evaluate how well the government of a country is doing at not only growing the economy but also improving the quality of life for the population (Molarius, A., et al. 25). The BLI does this so well because it accounts for a wide variety of factors. Within the eleven factors that are measured ten are of things that relate to socioeconomic conditions. These ten can then be split up between primal needs and secondary needs. Primal needs meaning things needed for survival, food, water, shelter, etc. Secondary needs, meaning things people can gain value from only after primal needs are met. Out of the ten measures that can be tied to socioeconomic conditions four qualify as primal needs: housing, environment, health, and safety. The other six are secondary needs: jobs, community, education, civic engagement, life satisfaction, and work – life balance. The only measure that can be directly tied to economic growth is income (“ Iceland”). Not only does this index account for a wider range of socioeconomic conditions than do the HDI of GNHI it also compiles the results creating a simple numerical score that can be compared (Knox et al. 18). The second benefit of the BLI is that it has more dimensions tied to aspects of well being that can only be developed after basic needs are met. By doing this, the index can determine whether a population has achieved the level of development that allows them to move past focusing only on primary needs.

The BLI is a reliable indicator of a countries economic development because it measures factors of economic growth such as income while also including factors related to wellbeing. Overall the BLI is more effective at measuring the socioeconomic conditions than economic growth because it does not consider GDP or other strictly growth-related measurements. A benefit of using the BLI to measure economic development is that the weights of the eleven factors are not set by the index. Using the index requires the user to set the importance of the separate dimensions. This interactive feature of the BLI is an advantage because it facilitates the creation of multiple comparisons related to different factors. This could possibly help diminish the inherent variability and differences in responses that come from interviewing people from different cultures. Overall, the BLI is a comprehensive measure of well being due to its inclusion of dimensions that tie to both primal and secondary human needs (“ How’s Life”).

For example, the country of Iceland scores very high in the dimensions of jobs, income, and community. It feels above average in income, subjective well-being, health status, environmental quality, safety, civic engagement, and education. Iceland scores below average in housing and work-life balance. Overall, Iceland scored at 7. 5/10 for overall life satisfaction of its population (“ Iceland”). In comparison its GDP was 24 billion USD as of 2018 with a growth rate of 4% (“ Iceland”). According to the International Monetary Fund in 2018 Iceland was ranked at 104 in regard to GDP (“ Report for Selected Countries and Subjects.”). This demonstrates that well being needs to play a substantial role in the evaluation of economic development, and that the BLI is an accurate index to measure well-being.

In conclusion the BLI is one of the most accurate ways to measure economic development due to the diversity of dimensions of well being that it includes and the flexibility it creates in weighting those dimensions.  The major limitation of using the BLI to measure a country’s economic development is that the BLI is intended for individual use and then the scores are compiled to create an overall score for the country. This creates a chance that the score gets inflated or deflated by several extreme scores. A second limitation of this index to measure economic development is that while it does account for income it does not account for GDP, GNI, or any measure that strictly measures economic growth.

## Works Cited

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