

What factors affect a country's level of economic development?

| | GDP per cap. at PPP USD | Human Dev. Index* | saving as % of GDP | annual pop. growth rate | net secondary school enrollment | Gender- Empower. Measure** | Imports as % of GDP | Exports as % of GDP | Gini Index*** |
|----------------|----------------------------------|-------------------------|--------------------------|----------------------------------|--|----------------------------------|---------------------------|---------------------------|------------------|
| | 2002 | 2002 | 1990- 2000 | 1975- 2002 | 1990-91 | | 2002 | 2002 | |
| Norway | 36,600 | 95.6% | 33.8% | 0.4% | 88% | 0.908 | 27% | 41% | 25.8% |
| Australia | 28,260 | 94.6% | 22.5% | 1.3% | 79% | 0.806 | 22% | 20% | 35.2% |
| Sweden | 26,050 | 94.6% | 24.6% | 0.3% | 85% | 0.854 | 37% | 43% | 25.0% |
| Canada | 29,480 | 94.3% | 26.4% | 1.1% | 89% | 0.787 | 39% | 44% | 33.1% |
| Netherlands | 29,100 | 94.2% | 27.3% | 0.6% | 84% | 0.817 | 56% | 62% | 32.6% |
| United States | 35,750 | 93.9% | 19.8% | 1.0% | 85% | 0.769 | 14% | 10% | 40.8% |
| Japan | 26,940 | 93.8% | 33.8% | 0.5% | 97% | 0.531 | 10% | 11% | 24.9% |
| Ireland | 36,360 | 93.6% | 30.4% | 0.8% | 80% | 0.710 | 83% | 98% | 35.9% |
| United Kingdom | 26,150 | 93.6% | 17.4% | 0.2% | 81% | 0.698 | 28% | 26% | 36.0% |
| Switzerland | 30,010 | 93.6% | 30.7% | 0.5% | 80% | 0.771 | 38% | 44% | 33.1% |
| Finland | 26,190 | 93.5% | 27.7% | 0.4% | 93% | 0.820 | 30% | 38% | 26.9% |
| Denmark | 30,940 | 93.2% | 26.8% | 0.2% | 87% | 0.847 | 39% | 45% | 24.7% |
| New Zealand | 21,740 | 92.6% | 22.4% | 0.8% | 85% | 0.772 | 32% | 33% | 36.2% |
| Greece | 18,720 | 90.2% | 13.0% | 0.7% | 83% | 0.523 | 27% | 21% | 35.4% |
| South Korea | 16,950 | 88.8% | 37.6% | 1.1% | 86% | 0.377 | 39% | 40% | 31.6% |
| Poland | 10,560 | 85.0% | 18.0% | 0.5% | 76% | 0.606 | 31% | 28% | 31.6% |
| Hungary | 13,400 | 84.8% | 17.5% | -0.2% | 75% | 0.529 | 67% | 64% | 24.4% |
| Chile | 9,820 | 83.9% | 21.4% | 1.5% | 55% | 0.460 | 32% | 36% | 57.1% |
| Costa Rica | 8,840 | 83.4% | 14.3% | 2.6% | 37% | 0.664 | 47% | 42% | 46.5% |
| Mexico | 8,970 | 80.2% | 17.5% | 2.0% | 45% | 0.563 | 29% | 27% | 54.6% |
| Panama | 6,170 | 79.1% | 20.7% | 2.1% | 50% | 0.486 | 29% | 28% | 56.4% |
| Venezuela | 5,380 | 77.8% | 20.4% | 2.5% | 19% | 0.444 | 17% | 29% | 49.1% |
| Paraguay | 4,610 | 75.1% | 4.2% | 2.9% | 26% | 0.417 | 43% | 31% | 56.8% |
| Bolivia | 2,460 | 68.1% | 3.0% | 2.2% | 29% | 0.524 | 27% | 22% | 44.7% |
| Botswana | 8,170 | 58.9% | 24.6% | 2.8% | 29% | 0.562 | 37% | 51% | 63.0% |
| Bangladesh | 1,700 | 50.9% | 4.5% | 2.4% | 19% | 0.218 | 19% | 14% | 31.8% |

*The Human Development Index (HDI) is a composite index measuring average achievement in three basic dimensions of human development – a long and healthy life, knowledge and a decent standard of living.

**The Gender Empowerment Measure (GEM) is a composite index measuring gender inequality in three basic dimensions of empowerment – economic participation and decision-making, political participation and decision-making and power over economic resources.

***The Gini index measures inequality over the entire distribution of income or consumption. A value of 0% represents perfect equality, and a value of 100% perfect inequality.

Sources: Human Development Report (2003) and Penn World Table 6.1

What factors affect a country's level of economic development?

| correlation coefficients | GDP per cap. at PPP | Human Dev. Index | Saving as % of GDP | annual pop. growth rate | | net secondary school enroll. | Gender-Empower Measure | Imports as % of GDP | Exports as % of GDP | Gini Index |
|--------------------------|---------------------|------------------|--------------------|-------------------------|-----------|------------------------------|------------------------|---------------------|---------------------|------------|
| | | | | 1990-1991 | 1975-2002 | | | | | |
| | 2002 | 2002 | 1990-2000 | 1975-2002 | 1990-1991 | | | 2002 | 2002 | |
| | 1.0000 | | | | | | | | | |
| | 0.8227 | 1.0000 | | | | | | | | |
| | 0.6778 | 0.6247 | 1.0000 | | | | | | | |
| | -0.7298 | -0.7616 | -0.5280 | 1.0000 | | | | | | |
| | 0.8487 | 0.8774 | 0.6824 | -0.9011 | 1.0000 | | | | | |
| | 0.8057 | 0.7345 | 0.4797 | -0.5768 | 0.6580 | 1.0000 | | | | |
| | 0.1513 | 0.1477 | 0.1430 | -0.1844 | 0.1082 | 0.1599 | 1.0000 | | | |
| | 0.2904 | 0.2039 | 0.3832 | -0.2348 | 0.1736 | 0.2921 | 0.9312 | 1.0000 | | |
| | -0.6134 | -0.5406 | -0.3995 | 0.8162 | -0.7285 | -0.4320 | -0.0829 | -0.1168 | 1.0000 | |

- As predicted by the Mankiw-Romer-Weil Model, saving (investment in physical capital) and education (investment in human capital) are positively correlated with a country's level of economic development, as measured both by per capita Gross Domestic Product (GDP) and the Human Development Index (HDI).
- As predicted by the Solow Model and the Mankiw-Romer-Weil Model, higher rates of population growth (which translate to higher rates of labor force growth) are negatively correlated with per capita GDP and HDI.
- The definition of women's empowerment that we used when discussing Homework #6 doesn't match this measure of empowerment. This measure looks at estimates of income based on gender as well as the percentage of female legislators, senior officials, managers, professionals etc. Nonetheless, this measure of women's empowerment is positively correlated with per capita GDP and HDI.
- Notice that women's empowerment is negatively correlated with the population growth rate.
- Larger shares of trade in GDP – as measured by both exports and imports – increases a country's level of economic development.
- Lastly, income inequality – as measured by the Gini Index – is highly correlated with both per capita GDP and HDI. The more unequal is a country's income distribution, the lower is its level of economic development.