

Exercise walk-through

5.1

Living standards

IGCSE Economics

Living standards and HDI

Real GDP per head GDP measures average income.

The **HDI** adds education & health (**life expectancy**) – a fuller picture than GDP alone.



Living standards rise with development

Indicators of living standards

an indicator

a number used to measure something we cannot observe directly

GDP per head

total output divided by population – simple, and blind to distribution

the HDI

combines income, **life expectancy** and **education** into one index

why HDI is better

two countries with equal income can differ by decades of life expectancy

what both miss

inequality, unpaid work, the environment, and how safe or free people feel

No single number measures a standard of living. Every comparison question wants at least two indicators and a note on what they leave out.

Measuring how well a country lives

GDP

Gross domestic product : total output in a year. Per head, it is the usual first comparison – and it hides how the income is shared.

HDI

The **Human Development Index** adds health and education to income, giving a score from 0 to 1.

Other signs

Doctors per person, clean water, school enrolment, internet use – each fills a gap the income figure leaves.

Economic growth

Economic growth raises the average, and only **redistribute** - style policy decides who receives it.

Higher **productivity** worked.

is what makes growth durable: output per worker, not hours

Limits of the comparison

Comparing living standards is not simple:

- GDP per head is an *average*. It hides the **income distribution** – a country can have a high average but a few rich people and many poor people.
- it leaves out unpaid work, and work in the hidden economy.
- it does not measure pollution, free time, or safety.
- prices and money differ between countries, so the same income buys different amounts.

Living standards and HDI – measures

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- prices and money differ between countries, so the same income buys different amounts.

Exercises 2.1-2.3

2.1 Define the term *real GDP per head*.

[2]

2.2 State the three components of the HDI.

[3]

2.3 State one limitation of using GDP per head to compare living standards.

[1]

Exercises 2.1-2.3

2.1 Define the term *real GDP per head*. [2]

2.1

- **real GDP per head** is real GDP **divided by population** – roughly the average income per person (K)

2.2 State the three components of the HDI. [3]

2.2

- the three components of the HDI
- **income** (per head), **education** (years of schooling), **health** (life expectancy) (K each)

2.3 State one limitation of using GDP per head to compare living standards. [1]

2.3

- any **one** of: it is an **average** that hides income distribution / it omits unpaid work, pollution and free time (K)

Exercises 3.1-3.2

3.1 Which is **not** part of the Human Development Index?

[1]

☐

A income per head

B life expectancy

C the inflation rate

D years of schooling

3.2 Explain why the HDI may be a better measure of living standards than real GDP per head.

[4]

Exercises 3.1-3.2

3.1 Which is **not** part of the Human Development Index?

[1]

☐

A income per head

B life expectancy

C the inflation rate

D years of schooling

3.1 C

- the **inflation rate** is **not** part of the HDI (K)
- A, B and D are the three HDI components

3.2 Explain why the HDI may be a better measure of living standards than real GDP per head.

[4]

3.2

- GDP per head measures only **average income**, which can hide poor health or low schooling (K)
- the HDI adds **life expectancy** and **education** (An)
- it captures a **wider quality of life** (An)

Exercise 3.3

3.3 Analyse why two countries with the same real GDP per head may have different living standards. [6]

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3.3

- GDP per head is only an **average**, so two countries with the same figure can differ widely (K)
- in one, income is shared fairly with good health and education; in the other, a few rich people pull the average up (An)
- **distribution**, health, education, pollution and free time all affect living standards beyond average income (An)