

The challenges of measuring human development

In 1990 public understanding of development was galvanized by the appearance of the first Human Development Report. Led by the visionary Mahbub ul Haq, it had a profound effect on the way policy-makers, public officials and the news media, as well as economists and other social scientists, view societal advancement. Rather than concentrating on only a few traditional indicators of economic progress (such as gross national product per capita), "human development" accounting proposed a systematic examination of a wealth of information about how human beings in each society live and what substantive freedoms they enjoy.

At the time Mahbub ul Haq became the pioneering leader of the human development approach, several voices of discontent were demanding an approach broader than standard economic measurements provided and were proposing constructive departures. With remarkable insight Mahbub saw the possibility of harnessing these initiatives towards the development of a capacious alternative outlook that would be at once practical and inclusive.

The Human Development Reports made room for a rich variety of information and analyses related to different aspects of human life.

The difficulty, however, of replacing a simple number like GNP with an avalanche of tables (and a large set of related analyses) is that the latter lacks the handy usability of the crude GNP. So a simple index, the Human Development Index (HDI), was devised explicitly as a rival to GNP and concentrating only on longevity, basic education and minimal income. Not surprisingly, the HDI, which proved very popular in public discussion, has a crudeness that is somewhat similar to that of the GNP. This diagnosis is not meant as an "unkind" description.

As someone who was privileged to work with Mahbub in devising the HDI, I would claim that the crude HDI did what it was expected to do: work as a simple measure like GNP but, unlike GNP, without being oblivious of everything other than incomes and commodities. However, the huge breadth of the human development approach must not be confused, as it sometimes is, with the slender limits of the HDI.

The world has moved on since 1990. There have been many gains (in literacy for example), but the human development approach is motivationally committed to concentrating on what remains undone - what demands most attention in the

contemporary world - from poverty and deprivation to inequality and insecurity. New tables continue to appear in the steady stream of Human Development Reports, and new indices have been devised to supplement the HDI and enrich our evaluation.

As it happens, the new challenges we face have also intensified - for example, those surrounding the conservation of our environment and the sustainability of our well-being and substantive freedoms.

The human development approach is flexible enough to take note of the future prospects of human lives on the planet, including the prospects of those features of the world that we value, whether related to our own welfare or not (for example, we can be committed to the survival of threatened animal species on grounds that transcend our own well-being).

It would be a great mistake to cram more and more considerations into one number like the HDI, but the human development approach is sophisticated enough to accommodate new concerns and considerations of future prospects (including forecasts

of future levels of the HDI) without muddled attempts at injecting more and more into one aggregate measure.

Twenty years after the appearance of the first Human Development Report, there is much to celebrate in what has been achieved. But we also have to be alive to ways of improving the assessment of old adversities and of recognizing - and responding to - new threats that endanger human well-being and freedom. That continuing commitment is indeed a part of the large vision of Mahbub ul Haq. The need for that commitment has not diminished over time.

The economic and social problems associated with human development are the subject of the *Human Development Report*, which has been published annually since 1990 by the United Nations Development Programme (UNDP). According to its originator, the Report was of a seminal nature and would open the debate through a contribution to the **definition, measurement and policy analysis** of human development. It is important to set out this methodological thinking, for this three-pronged approach to human development characterizes the systems of political economy through the link between *problematic analysis* and *policy*.

The role assigned by UNDP to the new approach may thus be regarded as pertaining to a systematic rationale. In the case of human development, *definition*

followed by *measurement* and, finally, *policy analysis* would aim respectively to identify the precise nature of the problematic, namely what is involved (the goal to be achieved); to establish an information mechanism and a framework for mathematically analysing the issues involved; and to draw up policy recommendations in keeping with the two previous steps.

*Human development is measured by the human development index (HDI), which combines indicators of **education, health and income** sufficient to ensure adequate living standards.*

For the desire to devise a system linking *economic efficiency* with *prosperity for all members of society* underpins UNDP approach to human development even though such a concern is not new.

One should therefore be aware of where **this new approach** is rooted in the development of economic thought, so that we can identify *where such an approach to human development extends the scope of contemporary economics*, where it **conflicts** with it, and how far it **seeks to supersede it**.

PART I - ECONOMICS FOR THE BENEFIT OF PEOPLE

Why do we need to cultivate a concept of human development? The new UNDP approach has both interest and merit because it stresses **human well-being as an end** for any process of economic and social development. It does so by overturning the view that focuses on *material progress* as the sole *end*. Instead, the new approach focuses on the well-being of individuals as the ultimate objective.

In so doing, it prompts us to view the problems differently. For, as UNDP puts it, The implications of **placing people at the centre** of economic and political change are thus profound. They call for nothing less than a **revolution in our thinking**. According to the *Report*: the process of development should at least create a conducive environment for people, individually and collectively to develop their full **potential** and to have a reasonable chance of leading productive and creative lives in accord with their **needs and interests**.

Highlighting what underlies such an approach, however, reveals that, from the point of view of the problematic, this concern is not new at all but, on the other hand, looks highly innovative once perceived analytically. In a complete system of political economy, it is on the thrust imparted by the *problematic* that the *scientific analysis* and subsequent *policy recommendations* depend.

A. The plurality of human problems

A brief look beyond the confines of the discipline, or at the history of economic thought reveals a wealth of opinions on how best to achieve individual well-being.

The first methodical responses to the issue, according to Professor Alain Barrère, are to be credited to the physiocrats. But, before them, the concept evolved over a long period from the ancient Greek scholars until the mercantilists, taking in the medieval scholastics on the way. *In ancient times and during the middle ages, the writings tended more towards the **human-centred approach**, while the mercantilist focused on **enrichment**.*

Moral philosophy occupied an important place in the doctrines of the ancient world. According to Adam Smith: Wherein consisted the happiness and perfection of a man, considered not only as an individual, but as the member of a family, of a state, and of the great society of mankind, was the object which the ancient moral philosophy proposed to investigate. In that philosophy the duties of human life were treated of as subservient to the happiness and perfection of human life.

How did the ancient scholars respond to the human-centred approach?

- for Greek philosophers like Xenophon, Plato and Aristotle, it was in terms of the *polis*;
- for Greek moral philosophers like Epicurus and Epictetus and Roman jurists like Seneca and Marcus Aurelius, it was the *individual*;
- for the medieval scholastics, in particular Saint Thomas Aquinas, it was in terms of the *common good*.

Other features the writings of these scholars have in common are:

- (a) that they pertain to an *overall conception* of the human being or of society such as to make this conception its only justification; and
- (b) that they emphasize the *normative elements* by adopting a position on what is right or wrong or good or bad, establishing value scales and expressing preferences.

The fundamental question exercising their minds is: How can individuals achieve perfect well-being? (the term being a rendering of the happiness, happy life or living well of the classical authors and of the beatitude or bliss of the scholastics).

This fundamental question gave rise to others intended to guide further reflection on the determinants of individual well-being, which ones should be prioritized and the hierarchical order in which levels of well-being should be arranged.

The fundamental question elicits many answers.

Greek scholars of the Attic period believed that happiness for all could be achieved through a better *organization of the polis*, or city state. The polis is the quintessential place where the division of labour both frees individuals from material constraints the fastest and gives them easier access to a life where contemplation and intellectual development (in the maieutic sense) are uppermost.

The classical writers mentioned below were to put the emphasis on the *individual* rather than the city, and on the fulfilment of needs.

Epicurus (341-270 BC) believed the greatest good to lie *in seeking for absence of pain and for repose of mind (ataraxia)*. To this end, he advocated limiting dependence on *material possessions* and preferring those within us that are ever available in unlimited supply. Epicurus believed that this *happy life* could be attained through careful reasoning which, in all circumstances, would enable one to decide the reasons for choosing or not choosing something, and to reject futile ideas serving only to impede ataraxia.

As a Stoic, Epictetus (50-130 AD) had a fatalistic attitude towards the fulfilment of needs. He believed that perfect well-being arose from the *conformity of the individual to nature*. Thus, people attain happiness when they regard everything that happens to them as necessarily good. According to Epictetus, unhappiness comes from (or is gauged by) *the disparity between the situation actually experienced by individuals and their notion of the ideal order of things*. Minimizing that disparity leads to happiness. To achieve this, people need to accept things as they are, as they naturally occur. An effort of will should enable them to limit the extent of their needs by adjusting their conceptions and desires to the realities of the world.

Seneca (2 BC-65 AD), who was also a Stoic, even went so far as to advise one of his rich followers to accustom himself to spending periods of frugal living, so as not to suffer should he one day come to lack some of the comforts his wealth afforded him.

The response of the *scholastic* philosophers, in particular Saint Thomas Aquinas, to the question of individual well-being centred on a *search for the common good*.

The *holistic approach* espoused by the scholastics allowed them to prioritize the social *whole* over the *part*: society takes precedence over individuals. The way in which people live is only approached from an idealistic point of view; one is more concerned with what they should be than with what they actually are, *hic et nunc*.

According to Thomas Aquinas, accumulation should not be the ultimate goal of human existence, particularly since trade seems to have arisen solely from the need to *satisfy the mutual needs* of the parties. On the scale he drew up of possessions likely to lead to a state of bliss, material possessions come at the bottom, because they are only a means of magnifying the higher possessions which he calls the *habitus* (Aristotle defines them as *capacities and natural dispositions*) and the soul. In so doing, he advocated the prior development of the *habitus* (bodily possessions, such as *health and education*) with a view to developing mental well-being, the ultimate condition for attaining a state of bliss. It is reasonable, he writes, to prefer the *good of the body* to *outward possessions*, symbolized by money, just as the *good of the soul* is preferable to any good of the body (emphasis added).

With the *mercantilists*, the principal characteristics of the concept of enrichment, namely *acquisitiveness, accumulation* and *competition* again came to the fore. The **acquisition** of outward possessions became an end in itself. In a reversal of the scale drawn up by the scholastics, material possessions now appeared at the top. Even bodily assets were subject to them, serving only as a means of acquiring material assets. Thus, good health and high qualifications were looked upon as the most productive human capital. Hence enrichment became the watchword of the nascent science of economics.

Systems of political economy continued to develop from the time of Pierre Le Pesant de Boisguilbert, the physiocrats and subsequent writers adhering to the natural law logic.

A complete system of political economy based on the *human approach*, was formulated by Etienne Bonnot de Condillac in parallel with that of Adam Smith. However, his work never had anything like the same impact.

Following Adam Smith and still retaining the concepts and approach of his *system of political economy*, later works on the subject gave the system two diverging thrusts. One focused on the *tenet of individualistic liberalism*, so pursuing Adam Smith's heritage, while the other rested upon a principle of the community, stressing the role of society, history, sociological groups and conflicting interests in

the interpretation of economic activity. Other systems of political economy thus evolved, namely the classical system - liberal and individualistic in its approach - and the socialist systems.

However, the systems stopped evolving with the advent of the utility theoreticians, who, by rejecting the goals of the liberal and socialist systems, sought to construct a science without goals or doctrinal issues. Hence the rise of analyses without any avowed problematic. This position, which favoured analysis and rejected any doctrinal or finalistic problematic, developed between 1870 and the first half of the twentieth century. While pursuing a tradition introduced by the physiocrats, namely that of making mathematical formalism the main feature of economics, those advocating analysis divested of problematic and finality set the analysis phase on a steadier course, but the guiding hand of doctrine was lacking.

Thus, **the possibility of analysing, formalizing and quantifying the determinants of a problematic constitute the main characteristic of the approach** followed in economics (problematic - analysis - policy). It is also the criterion of credibility of any economic approach establishing a logical relationship between the problematic, scientific analysis and the resulting policy trends. The guiding role of the *problematic* (the doctrinal finality at the outset) in this approach should be stressed: identifying the problematic determines what follows. The same applies to any analysis pertaining to a human problematic.

Economic analysis (formalization and mathematical development of economics) continued to advance along these lines. Doubtless this is why any problematic with a human dimension may look like one (opinion) among others, but suddenly becomes more relevant when the attempt is made to go on to the phase of measurement and analysis (in the sense mentioned above) so as to give it a sound scientific basis. It has to be recognized, however, that the human dimension has not been used in economic formalizations based on a human problematic. The proposals made in this area are thus regarded as being ad hoc, intuitive and unconvincing. In this respect, according to Professor Dasgupta, the proposals are primarily centred on the policies to be followed, without any sound theoretical basis, which, in the authors view, may inform but not necessarily enlighten.