

- 2 Using Extract D, evaluate the effectiveness of GDP per capita in comparing living standards between countries.

(20)

GDP per capita is the gross domestic product of a given country divided by population. It is often used to measure living standards, as it gives a rough estimation of the economic output of individuals. However, other measures (most notably the Human Development Index and Gini coefficient, calculated from the Lorenz ~~error~~ curve) are used, and these are arguably more effective.

The Human Development Index takes into account a number of factors, including <sup>the</sup> literacy rate and healthcare. This is more effective than GDP, in that it reflects the social elements of living standards, rather than simply the financial ones. A high GDP per capita is irrelevant to living standards if there is no ~~a~~ provision of or access to ~~education~~ basic services, such as education.

However, as shown in extract D, the countries with the highest GDP per capita, in this case, the UK at \$41776, rank highest on the Human Development Index, and vice versa. India, with a GDP per capita of just \$1455 ranks at 135, suggesting the standards of living are very low. This ~~positive~~ <sup>correlation</sup> between GDP per capita and HDI Ranking suggests



GDP is effective in measuring living standards.

However, the Gini coefficient measures inequality, and this provides a much ~~(better view of)~~ <sup>GDP</sup> more critical view of the effectiveness of GDP per capita. The lower the Gini coefficient, the more equally income is distributed within an economy. India, the country with the lowest GDP and HDI rank in extract D, has the lowest Gini coefficient ~~showing~~ <sup>showing</sup> income is distributed the most evenly. This suggests India is a less divided society, and wealth is not channelled into the hands of the rich and powerful, as in Brazil, which has a Gini coefficient value of 0.54 ~~ver~~ a higher GDP per capita than India. If wealth is concentrated in the hands of very few, living standards for the masses fall, showing how the Gini coefficient can be used to compare living standards and therefore, the inadequacy of GDP per capita.

~~(Despite this, some say)~~ In conclusion, although GDP per capita is not suitable as a sole ~~measure~~ <sup>measure</sup> of living standards, it does play an important role in drawing comparisons between countries. However, it is important to also consider the HDI ranking and Gini coefficient figure in order to provide an inclusive, accurate representation.



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