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Human Development Product (HDP)

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This article is based on **We need a way to measure true human progress** which was published in the Indian Express on 14/08/2021. It talks about the shortcomings in the economic indicators of development and suggests alternative development indicators.

Gross Domestic Product (GDP) is a measure of economic activity in a country. It is the total value of a country's annual output of goods and services. It gives the economic output from the consumers' side.

However, GDP has its own demerits as it only indicates economic growth and does not identify inequalities and injustices.

Thus, we need alternative metrics to complement GDP in order to get a more comprehensive view of development and ensure informed policy making that doesn't exclusively prioritize economic growth.

Issues With GDP As An Indicator of Development

- **Measures Everything But Not Their Impacts:** GDP takes a positive count of the cars produced but does not account for the emissions they generate; it adds the value of the sugar-laced beverages sold but fails to subtract the health problems they cause; it includes the value of building new cities but does not account for the vital forests they replace.

As Robert Kennedy put it - GDP measures everything in short, except that which makes life worthwhile.

- **Fails to Capture Inequality:** In today's world, rising inequality levels in the developed and developing world are alike. GDP cannot differentiate between an unequal and an egalitarian society.

As rising inequality is resulting in a rise in societal discontentment and increased polarization, policymakers will need to account for these issues when assessing development.

- **Does Not Account For Environmental Degradation:** Environmental degradation is a significant externality that the measure of GDP has failed to reflect.
 - The production of more goods adds to an economy's GDP irrespective of the environmental damage suffered because of it.
 - So, according to GDP, a country like India is considered to be on the growth path, even though Delhi's winters are increasingly filled with smog and Bengaluru's lakes are more prone to fires.
- **Not in Sync With Modern Service Based Economy:** Today's societies are increasingly driven by the growing service economy – from the grocery shopping on Amazon to the cabs booked on Uber.
 - As the quality of experience is superseding relentless production, the notion of GDP is quickly falling out of place.
 - We live in a world where social media delivers information and entertainment at no price at all, the value for which cannot be encapsulated by simplistic figures.
 - Our measure of economic growth and development also needs to adapt to these changes in order to give a more accurate picture of the modern economy.
- GDP does not capture stark inequalities in **education gaps, health care access and injustices across gender, caste, regions**, and more.

Human Development Product (HDP) As an Alternative to GDP

- HDP can consists of the following parameters:
- **The female labour force participation rate:** It is shockingly low in India. However, the empowerment of women through their economic independence is central to human development.
- **Gender income parity:** Need to bridge the gap which exists in income earned by male and female for the same work.
 - There is no point in more women participating in the labour force if we continue to give them insecure and lower-paying jobs than men.
- **Stunting:** Stunting is not only one of the cruellest things that society accepts but is also reflective of widespread conditions of public health, nutrition and public education.
- **Water quality and availability:** We can measure the quality and flow of 10 key rivers at specified geographical points and periodicity, as well as measure groundwater levels and quality in some of the most stressed areas.
 - All this could give us an aggregate water health index.
- **The quality of polity:** It can be measured by the percentage of members of all our legislatures — state legislatures and Parliament — against whom criminal cases are pending or have convictions.
- **Other Parameters:** These are some “vital few” which can measure the progress of the most fundamental things in the country and reflect human progress. Other parameters (such as **CO₂ emission, internet access**) can also be added when needed.
 - Eg. today internet availability has become essential for human development.

Way Forward

- **Alternative Ways to Measure Development:** Along with HDP, other indicators can also be adopted.
 - Eg. Bhutan's **Gross National Happiness**, which considers factors like equitable socio-economic development and good governance
 - UNDP's **Human Development Index (HDI)**, which encapsulates health and knowledge apart from economic prosperity.
- **Capability Approach:** The center of Amartya Sen's vision is 'capability approach', where the basic concern of human development is '**our capability to lead the kind of lives we have reason to value**', rather than the usual concentration on rising GDP, technical progress, or industrialization.

Raising human capability is good because it improves: **the choices, wellbeing, and freedom of people**; their role in influencing social change; and their role in influencing economic production.
- **Climate change:** Climate change is affecting livelihoods, health and everything. We must tackle climate change and its effects on multiple fronts.
- **Need Holistic Not Only Economic Factor:** The Human Development Product is a product of innumerable important factors — education, health, livelihoods, societal norms, political climate, environmental conditions, and more.

Improvement in HDP will reflect and happen only with improvement on all these factors.
- **Striving For Sustainable Development Goals:** Modern economies need a better measure of welfare that takes environment degradation into account to obtain a truer reflection of development.

Thus need comprehensive and sustainable development.

Conclusion

The end goal is to have a more just and equitable society that is economically thriving and offering citizens a meaningful quality of life.

In an economy with well-being at its heart, economic growth will simply be another tool and GDP will cease to take the center stage. The focus would instead shift towards more desirable and actual determinants of welfare.

Today, India must commit to itself that the HDP growth rate become higher than the GDP growth rate.

Drishti Mains Question

The end goal is to have a just and equitable society that is economically thriving and offering citizens a meaningful quality of life. Discuss the statement in relation to current development indicators such as GDP/GNP.