

Checklist: Measures of economic activity, well-being, economic inequality and poverty

You have encountered several measures of economic activity and well-being, as well as measures of economic inequality and poverty, which are listed here so that you can distinguish between them and remember what each one tries to measure.

National income accounting

Chapter 8

gross domestic product (GDP) the total value of all final goods and services produced in a country regardless who owns the factors of production	gross national income (GNI) the total income received by the residents of a country, equal to the value of all goods and services produced by the factors of production owned by the country's residents regardless where the factors are located
GDP per capita GDP per person in the population; measures quantity of output produced in a country on average per person in the population	GNI per capita GNI per person in the population; measures income in a country on average per person in the population; this is a better measure of standards of living than GDP per capita
nominal GDP GDP measured at current prices	nominal GNI GNI measured at current prices
real GDP GDP measured at constant prices; eliminates the effect of price changes; must be used to make valid comparisons over time	real GNI GNI measured at constant prices; eliminates the effect of price changes; must be used to make valid comparisons over time
GDP per capita (\$PPP) GDP per person converted into US\$ by use of exchange rates that eliminate the influence of price difference across countries; must be used to make valid comparisons across countries	GNI per capita (\$PPP) GNI per person converted into US\$ by use of exchange rates that eliminate the influence of price difference across countries; must be used to make valid comparisons across countries
$\text{GNI} = \text{GDP} + \text{income from abroad} - \text{income sent abroad}$	

Measures of well-being

OECD Better Life Index (Chapter 8)

This is an alternative measure to standard national income accounting which measures economic well-being in a number of dimensions; these measure quality of life as well as material conditions of life (such as income).

Happiness Index (Chapter 8)

This is an alternative measure to standard national income accounting which measures economic well-being using numerous quality of life dimensions in addition to real GDP *per capita*; it attempts to measure the happiness of populations based on their perceptions of their satisfaction with their lives.

Happy Planet Index (Chapters 8, 18)

This is an alternative method to standard national income accounting that takes into account perceptions of the population on their well-being, environmental sustainability and inequalities.

Measures of economic development and well-being

Human Development Index (Chapter 18)

This is a composite indicator which includes indicators that measure three dimensions of development: income *per capita*, levels of health and educational attainment; it is considered to be a better indicator of development than single indicators such as GNI *per capita*.

Inequality-adjusted Human Development Index (Chapter 18)

This is a composite indicator which measures human development in the same three dimensions as the Human Development Index (income *per capita*, levels of health and educational attainment), but each dimension is adjusted for inequality in the corresponding dimension; it attempts to measure losses in human development that arise from inequality.

Gender Inequality Index (Chapter 18)

This is a composite indicator which measures inequalities between the genders in three dimensions: reproductive health, empowerment and labour market participation.

Measures of income and wealth distribution

Per cent of income received by quintiles of the population (Chapter 12)

This shows the percent of income that is received by each fifth (quintile) of the population from the richest fifth to the poorest fifth.

Lorenz curve (Chapter 12)

This is a curve illustrating the degree of equality (or inequality) of income (or wealth) distribution in an economy. It plots the cumulative percentage of income received by cumulative shares of the population. The closer the Lorenz curve is to the diagonal line of perfect equality, the more equal the income distribution.

Gini coefficient (Chapter 12)

This is a summary measure of the information contained in the Lorenz curve of an economy, defined as the area between the diagonal and the Lorenz curve, divided by the entire area under the diagonal. The Gini coefficient has a value between 0 and 1; the larger the Gini coefficient, and the closer it is to 1, the greater is the income inequality.

Measures of poverty

National and international poverty lines (Chapter 12)

A poverty line is an income level that is just enough to ensure a family the minimum necessary food, housing, clothing, medical needs; it is set by national or international authorities.

Minimum income standards (Chapter 12)

This is a method to measure poverty consisting of ongoing research on what people in a population believe are the essentials for a minimum acceptable standard of living that allows people to participate in society. It is used to create a basket of goods needed to achieve this minimum.

Multidimensional Poverty Index (Chapter 12)

This is a composite indicator that measures poverty in three dimensions: health, education and living standards. Each of these reflects deprivations (essential things people don't have).