**KEY CONCEPTS AND SKILLS: Unit 4.2 – Measuring Development**

**Definitions:**

* **Purchasing Power Parity**: exchange rates that make the buying power of each currency equal to the buying power of $1, and therefore equal to each other; used to eliminate differences stemming from different country price levels and therefore to facilitate comparisons across countries
* **Composite indicator**: a summary measure comprising more than one indicator

**Concepts and Applications:**

***Single Indicators***

* Distinguish between *GDP per capita* and *GNI per capita*, and compare/contrast those figures for LEDCs and MEDCs.
	+ Explain which measure is a better indication of a country’s standard of living.
	+ Explain how movements in factors of production can give rise to changes in GNI.
* Explain why purchasing power parities are important for making valid comparisons of GDP/GNI across countries.
	+ Explain why *GDP per capita at purchasing power parity* is likely to be higher than Non-PPP *GDP per capita* for an LEDC (and vice versa for an MEDC).
* Outline common health indicators and how they tend to vary with GDP/GNI per capita.
* Outline common education indicators and how they tend to vary with GDP/GNI per capita.

***Composite Indicators***

* Explain the difference between individual and composite indicators, and provide examples of each.
	+ Explain why composite indicators are considered better indicators of economic development.
* Explain the measures that make up the Human Development Index (HDI).
	+ Compare and contrast the HDI figures for LEDCs versus MEDCs.
	+ Explain why a country’s GDP/GNI per capita ranking may be higher or lower than its HDI ranking.