



Worksheet 26.2

Does Economic growth equal economic development?

While gross domestic product may offer an indication of a country's level of economic activity and output, it says little about the reality of life for the common person of developing countries.

To offer a more rounded figure for determining the level of economic development, the United Nations Development Program has created an alternative to GDP, the Human Development Index. The HDI accounts for the GDP per capita, the average level of primary and secondary education attained, literacy rates, and the life expectancy of citizens, to offer a glimpse into the reality of not just material wealth, but health and education in developing countries.

An analysis of the data for China reveals that since the 1970's the trend in human development has been a steady improvement. In 1975 China had an HDI rating of 0.53 (about where Sub-Saharan Africa is at today), and has since improved its rating to 0.78, just putting it in the range of countries such as Thailand, Turkey, and the Dominican Republic. While it is still considered a 'developing' country, China is no longer in the ranks of the 'poorest of the poor' which today are those with an HDI ranking considered 'low' or below 0.5.

On the surface the trends in development appear overwhelmingly positive; however, the reality is that as many as 300 million Chinese may still live in a dire state of poverty. The World Bank itself recently announced that China's GDP in purchasing power parity dollars, had for years been overstated, and the recent correction made it apparent to the world that China's miracle growth over the last two decades had perhaps not lifted *as many* people out of poverty as previously thought.

In a recent [International Herald Tribune article](#), Howard French reveals a side of China's economic landscape that is not often exposed by the media, focused as it is on the emerging middle class concentrated on the East coast. French visits China's most populous province, Henan, to report on the reality for the rural poor in this economically deprived region: read paragraph five and then from paragraph eight to 'a daily diet of 2,000 calories.'

In Henan Province, the 'official' poverty level is \$94 a year! That's **\$0.26 a day!** It is not surprising that official poverty rates are as low as they are in China, when the benchmark is as low as that.

Despite its low standards, Beijing and provincial authorities have taken some measures to bring relief and development to the poor areas of China's countryside. But is it enough? Read paragraphs two, five, six and seven from the article linked to above. With a growth rate of around 10%, a booming industrial and service sector sprouting up along the East Coast, and a middle class approaching in size that of the United States, it's easy for the world to look at China's emergence as an overwhelming story of success. As French observes here, the story for the poor in places like rural Henan is, on the contrary, one of overwhelming poverty.

**Discussion questions:**

1. Why doesn't the rapid growth of China's economy result in improvements in the lives of all Chinese?
2. What measures might Beijing or the provincial governments take to bring true *development* to the poor areas?
3. Does the rich East Coast have an obligation to improve the lives of the poor interior? If so, why hasn't it happened?
4. What is the biggest challenge China faces in lifting its 300 million poor out of poverty?