

EXPLANATORY NOTES

- (1) total HDI: Annually since 1990, the UN Development Programme has produced a Human Development Report ranking member countries on its Human Development Index (HDI), which measures health, education and living standards according to a standardized methodology relying on a number of indicators. The UN measures human development for 187 regimes. The top 47 countries are regarded as having “very high” human development, the second 47 as having “high” human development. This column shows the HDI values and rankings (out of 187) for the 45 data set regimes.
- (2) non-income HDI: In this column the impact of national income on the HDI has been removed. Note how much the position of the United States changes when income is removed from the index, especially when compared with regimes such as Norway and Canada. By contrast, South Korea moves up considerably on the basis of this index, indicating strong health and education indicators. Data set regimes are ranked relative to each other.
- (3) Inequality-adjusted HDI: Beginning in 2010, the Report introduced an inequality-adjusted HDI or IHDI, which is described as “the actual level of human development (taking into account inequality).” Note how the United States falls from ranking fourth to 22nd once inequality is factored in, while Denmark and Iceland move up into the top ten.
- (4) top-to-bottom quintile: One of the inequality indicators is the ratio of the income of the top 20% (fifth or quintile) to the income of the bottom 20%. (Recently, the ratio of the top 10% to the bottom 10% has also been used.) Ranking 36th on this measure is one reason why the United States is only 22nd on the IHDI; and being 4th on this measure helps explain Finland’s rise from 22nd on HDI to 11th on IHDI. On the other hand Slovenia also gains 11 places on the IHDI, but was 14th in the rankings for this indicator.
- (5) per-capita GNI: For HDI purposes, income is measured in per capita GNI (gross national income). The OECD defines GNI as “GDP less primary incomes payable to non-resident units plus primary incomes receivable from non-resident units,” while GDP is defined as “an aggregate measure of production equal to the sum of the gross values added of all resident institutional units engaged in production (plus any taxes, and minus any subsidies, on products not included in the value of their outputs).” In short, GNI and GDP are two slightly different ways of measuring a national economy’s total output. These values are usually expressed, as here, in purchasing power parity (PPP) terms in \$US. Again, according to the OECD, PPPs “equalise the purchasing power of different currencies by eliminating the differences in price levels between countries.”¹
- (6) per capita GDP: This column provides the rankings of the data set regimes (relative to each other) on the Heritage Foundation per capita GDP data. Significant differences between numbers in this column and numbers in column (5) may reflect differences in the time lag between the data compilation and its publication.
- (7) EFI (economic freedom index): The EFI is generated by the Heritage Foundation according to its measure of the 10 economic freedoms described in Figure 14.1. The column contains the actual EFI rankings for the data set countries as well as their rankings on these scores relative to each other. Note the significant difference that often exists between a regime’s HDI and its EFI.
- (8) tax as % of GDP: This column provides the rankings of the data set regimes (relative to each other) on Heritage Foundation data on tax as a percentage of GDP.
- (9) government expenditure as % of GDP: This column provides the rankings of the data set regimes (relative to each other) on Heritage Foundation data on government expenditure as a percentage of GDP.

1 OECD, Glossary of Statistical Terms, Web [<http://stats.oecd.org/glossary/index.htm>].