

1. Economic Inequality, Poverty and Human Development

Per capita GDP is an indicator that has generally been used to gauge a country's affluence. If the per capita GDP of Country A is \$3,000 and that of Country B is \$1,000, the citizens of the former country are judged to be better off. But this reasoning has several problems.

First, GDP does not take income inequality (income distribution) into account. Even if Country A's per capita GDP is \$3,000, the wealthy (the upper 10%) might have a per capita GDP of \$27,300, leaving the other 90% of the population with a mere \$300. But if all the citizens of Country B have the same \$1,000 income, it is mistaken to say that Country A is more affluent on the basis of per-capita GDP.

Second, GDP also ignores the problem of poverty. If we set the poverty line at \$365 a year and estimate the percentage of people at income levels below that line (the poverty rate), then the poverty rate of Country A is 90% while that of Country B is 0%. Here again the GDP yardstick yields the opposite result.

Third, real human happiness is determined by a variety of economic, social, and environmental factors. Such being the case, it is not enough to measure affluence by focusing on the economic facet alone using GDP. For this reason the United Nations Development Programme (UNDP) has emphasized human development meant to expand the broad range of choices (capabilities) available to people instead of narrowly conceiving development as the growth of income and wealth.¹

It is instructive to gauge the state of Asia's economy using different indicators of affluence. In particular the Gini index is used to measure income inequality, the human poverty index for developing countries (HPI-1)² to measure poverty, and the human development index (HDI)³ to measure human development.

Data on per capita real GDP over a number of years (Table 1) show that the economic development of Indonesia, Singapore, and Thailand slowed in 1997 and 1998 because of the Asian currency crisis, which also triggered Indonesian political instability that led to the fall of the Suharto government in May 1998. This suggests that in 1997 and 1998 there should have been changes of some kind in the indicators for economic inequality, poverty, and human development in Southeast Asian countries.

If this same span of years is viewed using the Gini index (Table 2), the impact of the Asian currency crisis on inequality is not discernible. The data for Indonesia, for example, suggest that there was less economic inequality in 1999 than in 1996, but this is hard to believe. This same indicator plotted in relationship to per capita GDP (Fig. 1) places Indonesia and Vietnam in the 0.3 to 0.35 range, while Malaysia, the Philippines, and Thailand are in the vicinity of 0.4 to 0.45. But again, it is hard to believe that Indonesia with its continuing political disorder has less economic inequality than Thailand and Malaysia, in fact being at the same level as Japan and South Korea. From this it is evident that statistical data for the Gini index vary widely from country to country, and must be interpreted with care.

TABLE 1. Real GDP per capita (Purchasing Power Parity in US\$)

Publication year	Year covered	China	India	Indonesia	Japan	S. Korea	Malaysia	Philippines	Singapore	Thailand	Vietnam
1997	1994	2,604	1,348	3,740	21,581	10,656	8,865	2,681	20,987	7,104	1,208
1998	1995	2,935	1,422	3,971	21,930	11,594	9,572	2,762	22,604	7,742	1,236
—	1996	—	—	—	—	—	—	—	—	—	—
1999	1997	3,130	1,670	3,490	24,070	13,590	8,140	3,520	28,460	6,690	1,630
2000	1998	3,105	2,077	2,651	23,257	13,478	8,137	3,555	24,210	5,456	1,689
2001	1999	3,617	2,248	2,857	24,898	15,712	8,209	3,805	20,767	6,132	1,860

Source: UNDP, *Human Development Report*, 1997–2001.

TABLE 2. Gini Indexes of Asian Countries

Year	China	India	Indonesia	Japan	S. Korea	Malaysia	Philippines	Singapore	Thailand	Vietnam
1990	—	—	0.289	—	—	0.429	0.438	—	0.438	0.350
1991	—	—	—	—	0.299	—	0.438	—	—	—
1992	—	—	—	—	0.299	0.429	—	—	0.462	—
1993	—	—	0.317	—	0.294	—	—	—	—	0.350
1994	—	—	—	0.297	0.294	—	0.429	—	—	—
1995	—	—	—	—	0.291	0.437	—	—	—	—
1996	—	—	0.365	—	0.297	0.442	0.462	—	0.434	0.355
1997	—	—	—	—	—	0.442	0.460	—	—	—
1998	—	—	—	—	0.290	0.442	0.468	—	0.414	0.354
1999	—	—	0.310	0.301	0.294	0.442	0.463	—	0.435	0.351
2000	—	—	0.307	—	0.294	0.442	0.461	—	0.435	0.352

Sources: For Japan, Ministry of Public Management, Home Affairs, Posts and Telecommunications, *National Survey of Family Income and Expenditure (1999 Survey)*. For other countries, World Bank, *East Asia Update Special Focus: Poverty Reduction and International Development Goals*, April 2001 or <http://www.aric.adb.org/>.