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(doi: 10.1410/105344)

Rivista di storia economica (ISSN 0393-3415)

Fascicolo 3, dicembre 2022

Ente di afferenza:

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A not-so-silly debate!

Response to Jan Luiten van Zanden's review

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Keywords: Human Development Index (HDI), living standard, economic development

JEL codes: N1, O10, O47, E10

Jan Luiten van Zanden, a distinguished scholar, has written a most negative assessment of my new book. A critical assessment means that one's work is taken seriously, and I am grateful for the time and effort it represents.

The book aims at presenting a historical perspective of world human development over the last one and a half centuries. Jan Luiten van Zanden considers the whole exercise misleading because it is based on unwarranted, subjective, and arbitrary assumptions and completely neglects the impact of economic growth on well-being. In my opinion, this view results from a shallow and hasty reading of the book. In the following paragraphs, I would like to argue why.

1. A SUBJECTIVE VIEW OF WELL-BEING?

The main argument in van Zanden's criticism is that «via the selection of dimensions of well-being, the transformation and standardization of the relevant series, and their weighting, LP has created a highly subjective view of the evolution of the global standard of living in the period since 1870».

Let me start by stressing that «my» approach to well-being does not start from scratch and far from being my own design it is grounded on the theory of capabilities. This approach differs from others, such as the welfare or the income and wealth ones by placing freedom at its centre. Thus, from the capabilities point of view, it is not simply individual achievements in terms of health, access to knowledge, or a decent living standard what matter for well-being, but whether the individual is free to choose between alternative options.

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I would like to emphasise that the book does not aim at producing a new theory of well-being. It simply uses the concept of human development in the context of the capabilities approach to offer a new view of the evolution of well-being over time. The well-being dimensions I consider are, therefore, those of the original UNDP's Human Development Index (HDI). However, I go a step further to «augment» the HDI by incorporating civil and political freedoms, that is, both negative and positive dimensions of freedom. The reason why I do it is to be faithful to the essence of human development, namely, enlarging people's choices.

Furthermore, in the cases of health and education, the available indicators used to proxy them – life expectancy at birth and years of schooling – are bounded, that is, have asymptotic limits reflecting maxima. Moreover, as proxies for health and access to knowledge, they need to be adjusted for quality. For example, in the case of health, the available evidence shows that gains in life expectancy at birth are correlated with health gains across all age cohorts (in other words, there is relative morbidity compression). Also, increases in years of schooling go together with improvements in the quality of education. We need, then, to transform these variables into index form non-linearly (more specifically, convexly), rather than linearly. For all these reasons I introduced Kakwani's transformation.

Moreover, the fact that per capita income enters the index at a declining rate (its log transformation) is because, in terms of capabilities, its return diminishes as its level rises. This transformation makes income gains particularly relevant for human development at low-income levels, as is the case of developing countries, and not so much for developed ones. That is why I agree with the view exposed by van Zanden's correspondent that economic growth matters for human development.

The omission of well-being dimensions is also pointed out by van Zanden as a shortcoming of my approach. I accept that the AHDI proposal is necessarily dependent on the UNDP's HDI and its composition, and, for example, biodiversity is not included. I deeply regret not having data on within-country inequality and most especially on gender inequality. However, the index does include racial discrimination and forced labour (slavery) and, at least, indirectly, insecurity. This is so because the liberal democracy index combines political rights and civil rights. Thus, the «liberal» component of the liberal democracy index emphasizes the importance of protecting individual and minority rights including civil liberties, the rule of law, an independent judiciary, and effective checks and balances. Access to justice, secure property rights, freedom from forced labour, freedom of movement, physical integrity rights, and freedom of religion are integral parts of civil liberties.

I would like to add that the results I obtain for the AHDI are, as I show in the book, rather similar to those derived when alternative specifications of the index are used, including those by Vecchi, Amendola and Gabbuti (2017) and Bértola and Ocampo (2012), in which social dimensions (life expectancy and years of education) and the original values of per capita income are linearly transformed (not convexly) (see Tables 1.1 and 1.2 and Appendix B in the book), so it is not just the singular features of the AHDI

what determine the evolution of human development. Obviously, however, a decomposition of the AHDI progress shows that real GDP per capita makes a larger contribution and dominates its evolution when these alternative composite indices are employed (p. 259).

As regards the claim of a «highly subjective view», van Zanden supports it with Amendola, Gabbuti and Vecchi (2018) outright condemnation: «any history based on composite indices is one where both data and history play a minor role, if any». Such a dismissive assertion seems, in my humble opinion, highly subjective.

To sum up. Jan Luiten van Zanden does not like composite indices and even less the HDI, and this is fair enough. Uneasiness with composite indices is old stuff. Some economists arguably claim that there is no theory behind them as in the case of GDP and, if necessary, they settle for a «dashboard» of indicators. However, users and builders of indices are, more often than not, economists. A practical objection to the «dashboard» is the high probability of getting opposite results when using alternative indicators, so a composite index provides a solution to capture such a latent and elusive concept as human development.

2. SHOULD HUMAN DEVELOPMENT EVOLVE AS PER CAPITA GDP?

van Zanden seems persuaded that trends in well-being – human development, in this case – should coincide with those of real GDP per head. I discuss the issue in the book and show that even though their trends are highly coincidental in the long run, they differ in specific phases, and the first half of the twentieth century is a case in point.

He is also surprised by the much smoother evolution of the AHDI compared to per capita income. He dramatically notes, «there are no crises, no wars, the millions who died on the battlefields and in concentration camps, have no impact on this story – there is only the smooth increase of indices, the well-paved path to freedom». Here, perhaps, one should observe that AHDI dimensions are based on indicators that are, at least, in part, stock rather than flow. This accounts for its relative stability. Moreover, unlike for GDP, data on non-income dimensions do not exist yearly, so only its medium- and long-term evolution can be observed.

There are not only technical explanations for their different behaviour, however. The global diffusion of the epidemiological transition, in the case of life expectancy, and the globalisation of mass primary schooling, in the case of education, took place just at the time of the economic globalisation backlash. Similar discrepancies between human development dimensions and real per capita income in other periods are discussed in the book. I argue that divergences in the evolution of real GDP per head and the AHDI and its dimensions can be reasonably explained. Let us consider life expectancy, for instance. In a health function, where life expectancy observations are compared to their corresponding per capita income levels, we can observe an association between them, so higher income levels match higher life expectancy. If we replicate the exercise for a period $t + 1$ we

observe a similar association but at a higher level; that is, higher life expectancy corresponds to the same levels of per capita income. This implies that there are not only movements along the health function but (outward) shifts in the function. Why is this the case? The explanation lies in advances in medical knowledge, that is, (embodied and disembodied) medical technology.

Therefore, the accusation that I largely ignore economic growth «as a driving force of the development of well-being» and the role played by technological change and productivity is unwarranted. Not only do I not dismiss technology and economic growth, but I find, on the contrary, that it is new knowledge and technology that allows outward shifts in the health function.

I want to point out that the AHDI does not show a «remarkable increase» between 1929 and 1933, as van Zanden asserts. The world AHDI hardly varies (from 0.142 to 0.144), so, given the error margin of the estimates, the human lot was not better off in 1933. It is worth stressing that the alternative augmented index derived from the approach defended by Vecchi, Amendola and Gabbuti (2017) provides almost identical trends for the AHDI world population average (pp. 34-35).

3. ARE RELEVANT PUBLICATIONS NEGLECTED IN THE BOOK?

Not mentioning the publications of his research team and collaborators is one of the accusations in van Zanden's review. This is not precisely the case. I have relied on the estimates of years of schooling provided by Clio-Infra Dataset, which underlies the education chapters of his OECD *How Was Life?* publications and acknowledged their authors. I did not use their life expectancy estimates because I had my own and more comprehensive ones. Moreover, liberties are not considered in *How Was Life?* publications and I did indeed, but not exclusively, draw on the Maddison Project Datasets 2013 and 2018 releases. These are the four dimensions I consider in my book. Furthermore, the book deals with composite indices, not individual, untransformed social indicators, and Auke Rijpma's work is referenced.

By the way, I cite and discuss Vecchi, Amendola and Gabbuti (2017) throughout the book, but I refer to their chapter in Vecchi's book (2017), in which they express the same reasonings as in the unpublished working paper (which is a revised version of the chapter).

Once I said all this, I would like to point out that I have been working and publishing on human development for more than a decade and even presented my results at the Utrecht seminar run by Jan Luiten van Zanden. Hence, it surprises me too that he is surprised by my approach and findings. Perhaps this explains why I get no citations in *How Was Life?* Furthermore, it also amazes me that van Zanden, van Leeuwen and Xu (2021) recently co-authored a chapter in the *Cambridge Economic History of the Modern World* in which human development was extensively discussed, given his negative view of this concept.

4. WRONG IMPLICATIONS?

I am accused of not addressing the policy implications of the AHD findings. I accept the charge. I try to offer, as Angus Deaton nicely notes in his endorsement for the book, a historical atlas of human development and thus leave the reader to reach her conclusions regarding policies.

Specifically, van Zanden accuses me of implicitly vindicating the Cuban model of achievements in health and education while economic growth is absent and per capita income is low and stagnant. Far from it. If anything results from my approach to human development is that the suppression of freedom and agency is incompatible with it. This explains the collapse of the «augmented» human development index in the case of Cuba and other totalitarian regimes. It seems that van Zanden's reading of my book has been a bit hasty as he overlooks the explicit consideration of the case of Cuba from comparative perspective (Chapter 5).

5. IS THIS A SILLY DEBATE?

Van Zanden's critique could be summarised in his question, «Is the explanation for the fact that economic growth is largely ignored as a driving force of the development of well-being that the author has become the victim of his own experimental calculations which he has taken for the truth?». In both cases, my answer is no. I do not ignore the role of economic growth and am not a delusion victim. I try to widen the view of well-being using a capabilities perspective. This approach does not ignore the importance of growth but evidence that different levels of human development can be achieved at the same level of per capita GDP.

To sum up, my answer to Jan Luiten van Zanden's initial question is no, this is not a silly debate on well-being but a most relevant one that deserves to be pursued.

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