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Tuesday January 11th 2011

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UNDP Human Development Report Office's comments

Wrong numbers

Jan 11th 2011 1:20 GMT

While UNDP's Human Development Report Office deeply appreciates The Economist's continued serious coverage of our Report and its Human Development Index, we must note for the record that the research referenced in this article about the HDI is outdated, and hence methodologically questionable.

Citing a paper by Wolff et al., the article states: "The UNDP puts countries into three categories based on their HDI number: low, medium, and high human development. Mr. Wolff and his co-authors find that the probability that any country is in the wrong category is as high as 45%."

The methods used to calculate the HDI and define categories of human development were revised for the recent 20th anniversary edition of the Human Development Report, published this past November (see <http://hdr.undp.org/en>). While Wolff's criticisms had some validity with respect to previous HDI classifications, they do not apply to the system currently employed by the Human Development Report. Moreover, the "45%" figure refers to the percentage of developing countries purportedly misclassified under this previous HDI formula, according to Wolff, not of "any country," as the article erroneously states.

The crux of the Wolff critique is that the thresholds used to define categories of human development were not adjusted systematically when the HDI formula was revised. Between 1990 and 2009, the Human Development Report Office used constant thresholds of 0.5 and 0.8 (in the HDI scale, which ranges between 0 and 1) to distinguish between countries in low, medium and high levels of human development.

Wolff argues that if these thresholds had been updated to take into account revisions in the HDI formula, the new thresholds should have been 0.55 and 0.70, and that the countries whose classification would have changed as a result of that update were "misclassified".

In 2010, the Human Development Report Office undertook a systematic revision of the methods used for the calculation of the HDI, carefully considering criticisms leveled at the Index in the past. The new methodology directly addresses the critique by Wolff and his colleagues in that it generates a system for continuous updating of the human development categories whenever formula or data revisions take place. In contrast to the prior use of fixed thresholds, when all countries experience a change of the same magnitude in the HDI, the thresholds will now change by exactly the same magnitude. Since this automatically adjusts the cut-off points as the distribution of the HDI changes according to data revisions or formula changes, the possibility of "misclassification" asserted by Wolff was eliminated.

Since there are different mechanisms for updating categories to formula or data revisions, one could still argue that there is some potential misclassification of countries with the new methodology. Depending upon whether the initial or most recent year of the HDI is used as a baseline, we estimate this potential misclassification as ranging from 2.7 to 5.2 percent at most – not perfect, but far less than 45 percent!

Still, we welcome the scrutiny. The HDI has remained relevant for two decades precisely because its core formula of health, education and income indicators has proven both robust and flexible enough to accommodate continuing technical revisions based on new data availability and constructive methodological critiques.

- the Human Development Report Office, UNDP

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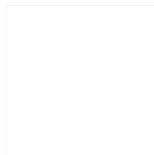
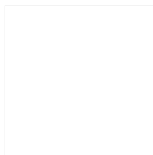
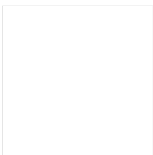
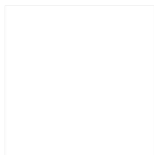
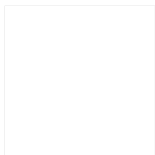
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