

A Study on the Relationship between Social Spending and Human Development

What effect does social spending have on a country's human development? Taking into account such indicators as life expectancy and years of schooling, the Human Development Index (HDI) is a more holistic quality of life indicator than GDP per capita. Oftentimes a country with a higher income will be lower in HDI rank than one of lower income. Qatar for example, had a Gross National Income (GNI) per capita of \$119,029, one of the highest, but was ranked thirty-first in human development in 2013. Compared to Australia, whose GNI per capita was \$41,524 but ranked second in development, we see a relatively low level of human development unexplained by income. What drives this? Despite the fact that income is often positively correlated to many development indicators, such differences suggest that economic growth by itself is not the only or even most significant engine that drives human development. This study will examine the relationship between a nation's Human Development Index, and its social spending on education, health care, and other variables through a regression model. The role of traditional economic indicators will also be examined, and those that are often thought to correlate with economic growth, such as the freedom of markets. The findings of this study are expected to explain what variables contribute most to a country's development, and whether they are mainly economic, social, or a combination of the two.

Keywords: Human Development Index, Gross National Income, development indicators, economic indicators