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## Leandro Prados de la Escosura, *Human Development and the Path to Freedom: 1870 to the Present*

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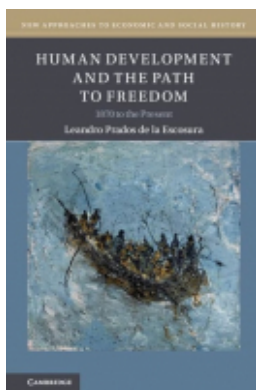
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- At first glance, the recently published volume by Leandro Prados de la Escosura (hereafter LPDE) *Human Development and the Path to Freedom: 1870 to the Present* appears to be a book of economic history. However, if one goes beyond the first lines of the introduction, it quickly becomes clear that the book is mainly about measurement—more specifically the measurement of economic phenomena such as growth, development, and well-being. This may appear a technical topic, but it encompasses complex conceptual, philosophical, and

economic theoretical issues, with substantial implications for economic analysis and policy. In this sense, LPDE's book is aimed not only at economic historians but also at a much broader audience of readers.

- 2 LPDE's main target is the gross domestic product (GDP), "the lion of the statistical jungle", to quote the apt metaphor by Stefano Fenoaltea (2008). According to LPDE, per capita GDP is an inadequate measure of well-being. It is hard to disagree with him, and he is in good company as evidenced by the scientific committee of the so-called Stiglitz-Sen-Fitoussi commission (2009). As Fenoaltea reminds us, GDP was developed in the United States in the interwar period with the specific aim of providing a flexible tool for monitoring economic cycles. Its limitations as a measure of well-being and economic development, also due to its origins, are now widely recognized and acknowledged by nearly all scholars.
- 3 Therefore, the main focus of LPDE's book is not the critique of GDP as a measure of well-being, but rather the perspective on potential alternative solutions. LPDE argues that it is not advisable to give up on using a single, comprehensive index defined on the real number axis and views the Human Development Index (HDI) as the best option. The index was proposed by Pakistani economist Mahbub ul Haq in 1990 with the explicit aim of providing an empirical counterpart to the concept of capabilities firstly introduced by Amartya Sen in the early 1980s. It is a composite index computed as an average of standardized variables that, alongside per capita GDP, also includes life expectancy at birth and the average level of education.
- 4 From this point of view, LPDE's book is not innovative. It should also be mentioned that LPDE is not the first scholar to propose using HDI in economic history. The early contributions in this area are mainly attributed to British economist Nicholas Crafts (1997) who revisited the debate on standards of living in England during the Industrial Revolution through the lens of HDI dynamics, as an alternative to GDP or wages. Starting from Crafts' work, a significant line of research has emerged, systematically exploring the use of various possible formulations of the HDI in economic history (Amendola et al., 2017; 2023; Felice and Vasta, 2015; Gallardo-Albarrán and de Jong, 2021; Prados de la Escosura, 2013; 2015; Rijpma, 2014). LPDE has certainly emerged as one of the leading scholars in this area of research, but not the only one.
- 5 There are two innovative elements in the volume: (1) the introduction of an additional dimension to the HDI, the *liberal democracy index*, that captures political freedoms and civil rights in a cardinal and standardized metric; and (2) a convex transformation of the HDI variables that measure the level of education and health conditions, previously proposed in another context by Indian economist Nanak Kakwani in 1993. This means that increases in life expectancy and average education levels result, *ceteris paribus*, in a growing rather than constant marginal benefit. These two innovations, particularly the second one, although seemingly technical, have substantial implications for the identification of the dynamics of human development, both globally and regionally, which are thoroughly examined in the volume.
- 6 Before discussing in greater detail, the meaning and scope of these two methodological innovations, it is helpful to briefly summarize the structure and content of LPDE's volume. The book is divided into two parts and six chapters. The first chapter of the first part focuses on the methodological aspects of the Human Development Index proposed by LPDE, which he has named the Augmented Human Development Index (AHDI). The remaining two chapters analyze, on a global level, the trend and distributional dynamics of the index and of its components. The second part of the volume, comprising the remaining three chapters, is dedicated to the comparison and convergence analysis between OECD countries and the rest of the world, with particular attention to the dynamics of human development in Latin America and Africa.
- 7 The book is an impressive *excursus* in terms of the amount of data and information. The reader is literally overwhelmed by a monumental quantity of graphs and tables that sketch a sort of "Last Judgment" on the phenomenon of human development at the global level over the past 150 years. The database underlying this extensive "overview" has been shared by LPDE with the entire scientific community, which is far from commonplace and reminds us of the true essence of conducting and sharing research.
- 8 It is easy to get lost in the details of this vast "fresco" and summarizing its salient features in

a few lines is perhaps impossible and probably not even very useful. Readers will select the “stories” or interpretations they find most interesting or convincing. The book is rich in this respect and also includes reconstructions and revisitations of some of the main historiographical debates that have animated the literature on economic history. Few basic results, however, emerge with sufficient clarity. The AHDI of LPDE shows a trend that largely coincides with that of GDP, but its dynamic is more stable. The divergence between GDP growth and other dimensions of well-being that emerged after the 1980s seems to disappear (van Zanden, 2022), and the dynamics of the AHDI appear to be largely explained by the evolution of life expectancy and education levels, variables that are relatively stable compared to economic cycles. There is relative convergence between OECD countries and the rest of the world, in contrast to what is observed when considering GDP per capita alone. Additionally, Africa’s performance in terms of AHDI is more favorable than is commonly believed. The dimension that captures political freedoms and civil rights, although significant in certain countries and specific historical phases, does not seem to play a predominant role in the overall picture. Given all this, the real question is which and how many of these regularities depend on the specific methodological choices adopted by LPDE, and in particular, on how the dimensions of well-being are aggregated.

9 As previously mentioned, the methodological issues underlying the choice of the index proposed by LPDE are addressed and discussed in the first chapter. This is thus a crucial part of the volume, but also, in my opinion, the least convincing part. It is well-known within the academic community that the theoretical foundations of the HDI are fragile, and for this reason, we would have expected a greater effort from the Spanish economic historian to defend its use in economic history and to justify, from a theoretical and methodological standpoint, the innovations of the standard HDI index he proposed.

10 I will attempt to summarize, without claiming to be exhaustive, some of the key issues and unresolved problems that challenge the use of the HDI as a measure of well-being across space and time. In my view, LPDE does not provide convincing answers to these issues, particularly given its stated goal of reconstructing an “objective” history of global economic development.

11 I would start with a key issue that LPDE overlooks. The HDI was designed to empirically capture the concepts of capabilities and “freedom of choice” as dimensions of well-being, as introduced by Sen (1985). This approach is based on the idea that well-being is not defined solely within the “commodity space”, as is the case in standard value theory, and should not be limited to a purely consequentialist framework; both the outcomes of choices and the ways in which choices are made are significant.

12 The problem arises when moving from concept to measurement. Sen himself, who played an active role in developing the HDI, soon acknowledged its interpretative limitations: “... the human development index ... was constructed expressly as a measure of relative performance across countries at a point in time. No special significance is attached to the absolute value of the index, the entire analysis being conducted in terms of the ranking of countries relative to one another.” (Anand and Sen, 1992, 8) For the Indian economist and philosopher, therefore, the HDI has an ordinal interpretation and is defined across space but not over time.

13 For LPDE, on the contrary, the HDI has a cardinal interpretation and can be used for comparisons not only across regions but also over time. In other words, the HDI, similar to Marshallian utility, is not just a way to rank countries in term of well-being but is a measure of a real and objective phenomenon consistently defined over time. If this were not the case, nothing presented in LPDE’s volume would make sense. Yet, this fundamental departure from the perspective of the HDI’s creators is never made explicit or discussed.

14 Another aspect that deserves further exploration concerns the unit of reference for the concept of human development adopted by LPDE. For the Spanish economist, human development seems to be an individual concept. The transformations applied to per capita income, life expectancy, and education levels—concave and convex, respectively—are justified based on lines of reasoning that refers, more or less explicitly, to individual well-being. However, if this is the case, the problem arises of how to aggregate these individual measures into a single social indicator.

15 Theoretically, the HDI can be interpreted as a *social welfare function* (Fleurbaey, 2018) that incorporates the additional dimensions of health and education into individual well-being

indicators. Indeed, since no explicit rule for aggregating individual well-being measures is provided, the HDI can be more consistently interpreted as a *paternalistic social welfare function* (Graaff, 1957); a way of ranking collections of social indicators without any direct connection to individual preferences defined on the dimensions of the HDI itself.

16 This conceptual “disconnection” from individual preferences helps clarify the significance of Kakwani’s transformation proposed by LPDE. It is a direct way of “paternalistically” imposing the marginal rates of substitution, i.e., the exchange rates, between life expectancy at birth and per capita income as well as between education levels and per capita income. The convex transformations indicate that, in LPDE’s value system, health and education are more valuable compared to the value system underlying the standard HDI. The fact that the dynamics of human development estimated by LPDE are more regular than those of GDP per capita, and that the divergence from GDP diminishes in many historical phases, simply reflects this ethical specification.

17 From a moral philosophy perspective, one might agree or disagree with the positions put forward by LPDE. Personally, I find many of the arguments in the book regarding the critical role of health and education in shaping collective well-being to be persuasive and compelling. However, I believe that LPDE’s book falls short of its ambitious main objective: to reconstruct a quantitative history of human development that clarifies the ambiguity arising from the fact that different development indicators sometimes follow trends that are not perfectly correlated in certain historical periods. What conclusions can be drawn about the dynamics of well-being when, for instance, per capita GDP declines while life expectancy and education levels show significant improvement? Or when an increase in GDP coincides with a decrease in political freedoms and civil rights?

18 The AHDI can resolve this ambiguity, but it does so at the expense of a fundamental arbitrariness in how the single social development indicators are aggregated. Thus, LPDE’s book does not provide a definitive history of human development but rather presents one of many possible narratives.

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