

Topic 5 – Economic development

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5.1 Living standards

Standard of living: social & economic wellbeing of individuals in a country at a particular pt in time

Measures of living standard

1. **GDP per capita**
2. **Human Development Index (HDI)** - healthcare, education & income level

Explain how HDI is measured. (6)

- standard of living - GDP per capita
- longevity - life expectancy at birth
- Education - adult literacy

Adv	Dis
<ul style="list-style-type: none"> • Considers several key indicators of living standards • ↑ healthcare & education are more likely than income level → indicate social wellbeing 	<ul style="list-style-type: none"> • Ignores qualitative factors e.g. gender inequalities • Ignores inequitable distribution of income so ↓ accuracy when indicate for average person's living standards • Ignores environmental & resources depletion • Ignores cultural differences

Living standards vs income distribution

1. **Productivity levels**
2. **Role of gov** - eg tax → redistribute income
3. **Pop size**
4. **Distribution of nation income** eg gov ↑ spending on military ≠ ↑ living standards
5. **Regional difference**
6. **General price level** - ↑ inflation, ↑ cost of living, ↓ living standards
7. **Level of education**
8. **Level of freedom**

5.2 Poverty

Poverty: condition when ppl lack adequate income & wealth to sustain basic standard of living, living on less than eg \$1.25 a day

Absolute poverty: where ppl do not have access to basic items eg food

Relative poverty: where ppl are relatively poorer than other ppl in the economy eg have access to fewer goods and services than others, relative poverty always exists

Analyse how long-term unemployment cause relative poverty

- Define relative poverty
- They have very low or no income so they don't have purchasing power to buy goods & services that an average individual can eg healthcare
- They get depressed, reduces incentive to find work
- Not able to provide children with good education so they cannot find a high-paid job

Causes of poverty

- Unemployment
- Low wages
- Poor healthcare
- Age
- Low literacy rates
- High pop growth
- Poor infrastructure eg transportation
- Low FDI
- High public debt
- Reliance on primary sector output
- Corruption & instability eg civil war / dishonest gov officials

Policies to ↓ poverty & redistribute income

Discuss which policies are likely to be most successful in reducing the extent of poverty in a country. (8)

- Promote economic growth
- Improve education
- Provide more generous state benefits eg state pension
- Use progressive taxation
- Introduce / increase national min. wage

5.3 Population

Population: total no. of inhabitants of a particular country

Population growth: rate of change in size of country's population

Birth rate: no of live births per 1000 of pop per year

Fertility rate: average no of births per woman

Replacement fertility rate: no of children that average woman must have to maintain stable pop size

Explain why the birth rate is decreasing (4)

- Women marrying later,
- ↑education,
- ↑job opportunities
- Introduction of family planning

Death rate: no of deaths per 1000 of pop per year

Immigration: ppl enter country to live/work

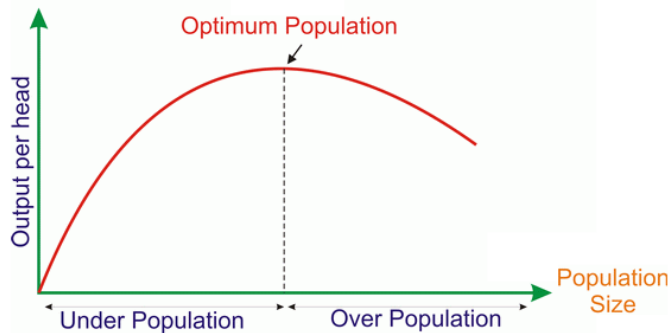
Emigration: ppl leave country to live/work

Net migration rate = immigration - emigration

Reasons for different rates of pop growth in different countries

- Birth rate
- Death rate
- Net migration rate
- MEDCs vs LEDCs

Effects of changes in size & structure of pop on different countries



Optimum population: output of goods/services per capita of pop is maximised

Under population - insufficient labour

Over population - lead to shortage

Population distribution: composition & structure of country's population

$$\text{Dependency ratio} = \frac{\text{dependent population}}{\text{working population}}$$

Dependent population: 0-14 (school) & 65+ (retirement)

Working population: 15-65 (active labour force)

Population distribution impact

1. **Consumers** - different demand based on age & gender
Eg Elderly ppl spend more on healthcare
2. **Firms** - ↑ pop growth, ↑ labour supply
3. **Gov** - ↑ workforce, ↑ tax revenue
4. **Economy** - ↑ pop growth, ↑ demand of goods/services, ↑ scarce resources, ↑ pressure
5. **Natural environment** - eg pollution

5.4 Differences in economic development between countries

Economic development: intangible concept that considers quantitative & qualitative variables in raising standard of living within a country

Factors accounting for differences in economic development

1. **GDP**
2. **Productivity**
3. **Population growth**
4. **Primary, secondary, tertiary sector**
5. **Saving & investment**
6. **Education**
7. **Healthcare**

Characteristics of developing economies (6)

8. low level of savings, education & healthcare
9. high rate of population growth

10. high proportion of workers in the primary sector

Exam questions

2 In 2013, an earthquake on the Iran/Pakistan border destroyed many factories and homes. Some officials wanted the Governments to rebuild the factories and homes, even though there would be an opportunity cost. Others suggested that some people should be encouraged to emigrate.

- (a) Define 'opportunity cost'. [2]
- (b) Explain why the economic problem can never be solved. [4]
- (c) Using a production possibility curve diagram, analyse the effect of the destruction of some of its resources on an economy. [6]
- (d) Discuss whether a country will benefit from the emigration of some of its people. [8]

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Up to 5 marks for why it might:

- emigration of dependents (1) would reduce the burden on the working population (1) reduce government spending on benefits/pensions (1) which means government spending on other items can increase (1)
- if there is overpopulation/population above the optimum level (1) output per head should rise/more efficient use can be made of resources (1)
- workers who emigrate may send money back to relatives (1) this may increase living standards (1)
- emigrants may later return to the country bringing new skills with them (1) this may raise the productivity of the labour force (1)

Up to 5 marks for why it might not:

- skilled workers may emigrate (1) this will reduce the quality of the labour force (1) lowering productivity (1) discouraging multinational companies setting up in the country (1)
- if people of working age emigrate (1) the dependency ratio will increase (1)
- if there is under-population/population below the optimum level (1) output per head would fall/less efficient use can be made of resources (1)
- with lower output less advantage can be taken of economies of scale (1)

7 In 2014 Cuban doctors were given pay rises that significantly increased their salaries. This made doctors' pay more than twice that received by nurses. Cuba is devoting more resources to both medical care and tourism, altering the country's production possibility curve. Living standards are increasing in the country but at a slower rate than some other nearby countries.

- (a) What is meant by a production possibility curve? [2]
- (b) Explain, giving examples, **two** factors of production used in the tourism industry. [4]
- (c) Analyse why doctors are paid more than nurses. [6]
- (d) Discuss whether living standards are always lower in developing countries than in developed countries. [8]

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Up to 5 marks for why they might be:

- Developing countries tend to have lower income per head / greater poverty (1) reducing the goods and services their people can buy (1).
- Developing countries tend to have higher population growth (1) this can increase the dependency ratio (1) reducing resources available to e.g. improve housing conditions (1)
- Developing countries tend to have lower life expectancy (1) health care tends to be less readily available / lower quality (1).
- Developing countries tend to have a lower standard of education (1) children likely to have fewer years at school / attend university / gain well paid employment / more productive (1)
- Developing countries tend to have more people employed in the primary sector (1) work in the primary sector tends to be more physically demanding/lower paid (1).

NOTE: Accept the reverse argument why living standards are always higher in developed countries.

Up to 5 marks for why they might not be:

- Some people in developed countries may experience lower living standards (1) as income may be unevenly distributed / there is relative poverty (1).
- Working hours may be lower in developing countries (1) which increases leisure time (1).
- The informal economy may be greater in some developing countries (1) meaning that output may be higher (1).
- Obesity may be more of a problem in developed countries (1) reducing the health of the population (1).
- Some jobs in the primary sector are well paid (1) e.g. in the oil industry (1).

- 7 The world's population is forecast to rise to 9 billion by 2050. It is predicted that Nigeria, a developing country with a mixed economy, will move from having the seventh largest population at 158 million in 2013 to having the third largest at 400 million in 2050. Some governments try to reduce the growth of their populations by using a range of government policy measures.

- (a) Define 'mixed economy'. [2]
- (b) Explain **two** reasons why the world population in 2050 may be more than forecast. [4]
- (c) Analyse how the population structure of a developing country is likely to differ from that of a developed country. [6]
- (d) Discuss the effectiveness of possible government policy measures to reduce the growth of population. [8]

- 7 (a) Define 'mixed economy'. [2]
- an economy with a private sector (1) and a public sector (1)
 - a mix of both free market (1) and planned economies (1)
 - resources allocated by both the price mechanism (1) and government decisions/consumers and government deciding what is produced (1)
 - some prices determined by market forces (1) and some by directives/the government (1)
- (b) Explain two reasons why the world population in 2050 may be more than forecast. [4]
- birth rate may be higher than expected (1) due to e.g. lack of education, children needed to work because of poverty (1)
 - death rate may be lower than expected (1) due to e.g. healthcare provision being of a higher quality/more widely available (1)
 - economic forecasts are often inaccurate (1) the further ahead a forecast is the less accurate it tends to be as more can change (1)
- (c) Analyse how the population structure of a developing country is likely to differ from that of a developed country. [6]
- a developing country is likely to have a younger population (1) may have a higher birth rate (1) due to e.g. lower cost of raising children/need for children to support their parents later in life (1)
 - a developing country may experience net emigration whereas a developed country may experience net immigration (1) due to differences in living standards (1)
 - a developed country is likely to have small families (1) due to e.g. social attitudes (1)
 - a developed country is likely to have more awareness of contraception (1) due to greater educational/healthcare provision (1)
 - a developed country is likely to have an older population (1) a developed country may have a lower death rate (1) due to e.g. better healthcare/nutrition (1)
- (d) Discuss the effectiveness of possible government policy measures to reduce the growth of population. [8]
- Up to 5 marks for why policy measures may be effective:
- improved/increased education (1) raise the cost of having children (1) people in education tend to delay having children (1) more educated women are likely to work and have fewer children (1) increase information about contraception (1) lower birth rate (1)
 - improved/increased healthcare (1) lower infant mortality rate may reduce number of children people have (1) as more expected to survive (1)
 - improved/increased state provision of healthcare and pensions (1) reduce need to have children to support adults in old age (1)
 - tighter immigration restrictions (1) may reduce inward migration (1)
 - remove state benefits for having children (1) may increase the cost to families of bringing up children (1)
 - adopt a "one child per family" policy, such as in China (1) directly reducing population growth (1)