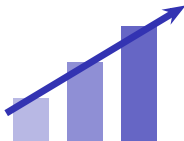


Economic Development

IGCSE Economics ■ Topic 5

IGCSE Economics



What we will cover

- 1 Living standards & HDI
- 2 Poverty
- 3 Population
- 4 Ageing population
- 5 The development gap



Living standards and HDI

Real GDP per head GDP
measures average income.

The **HDI** adds education
& health (**life expectancy**)
– a fuller picture than GDP
alone.



Living standards rise with development

Indicators of living standards

an indicator

a number used to measure something we cannot observe directly

GDP per head

total output divided by population – simple, and blind to distribution

the HDI

combines income, **life expectancy** and **education** into one index

why HDI is better

two countries with equal income can differ by decades of life expectancy

what both miss

inequality, unpaid work, the environment, and how safe or free people feel

No single number measures a standard of living. Every comparison question wants at least two indicators and a note on what they leave out.

Measuring how well a country lives

GDP

Gross domestic product : total output in a year. Per head, it is the usual first comparison – and it hides how the income is shared.

HDI

The **Human Development Index** adds health and education to income, giving a score from 0 to 1.

Other signs

Doctors per person, clean water, school enrolment, internet use – each fills a gap the income figure leaves.

Economic growth

Economic growth raises the average, and only **redistribute** -style policy decides who receives it.

Higher **productivity** is what makes growth durable: output per worker, not hours worked.

Limits of the comparison

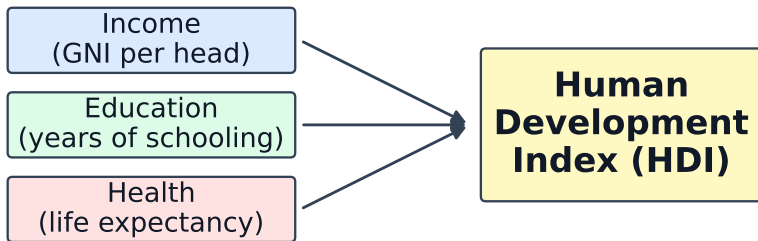
Comparing living standards is not simple:

- GDP per head is an *average*. It hides the **income distribution** – a country can have a high average but a few rich people and many poor people.
- it leaves out unpaid work, and work in the hidden economy.
- it does not measure pollution, free time, or safety.
- prices and money differ between countries, so the same income buys different amounts.

Living standards and HDI – measures

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Living standards and HDI – measures, in detail



Exam: $HDI = \text{income} + \text{education} + \text{health}$ — broader than GDP alone for living standards

It hides the **income distribution** — a country can have a high average but a few rich people and many poor people.

Poverty

- **absolute poverty** – cannot afford the basics
- **relative poverty** – poor compared with others

Low income & poor health trap people in a **poverty cycle** .



Poverty limits choices and opportunity

Poverty – types

- **absolute poverty** – people cannot afford even the basics: enough food, clean water, shelter, and clothing.
- **relative poverty** – people are poor *compared with others* in the same country. They can afford the basics but much less than most people around them.

Poverty – types, in detail

Absolute poverty

cannot afford basic needs:
food, clean water,
shelter and clothing

Relative poverty

poor compared with others
in the same country —
can afford basics,
but much less than most

Exam: absolute = cannot meet basic needs; relative = far below the country's typical living standard

They can afford the basics but much less than most people around them.

The causes of poverty, and the policies against it

low income

low **wages** , or no job at all

life stage

old age, or having many children to support

lack of education

which limits what work is available

a minimum wage

a legal lowest wage, so low-paid workers earn more – with a risk to jobs if set too high

progressive tax and benefits

transferring income from higher to lower earners

state education and healthcare

so the poor can **improve their own** position rather than only receive transfers

The last row is the one that changes the cause rather than the symptom, which is why development questions favour it.

Why poverty persists, and who is affected

Subsistence farming

Subsistence farming feeds the family but earns almost no cash income – so there is nothing to save or invest.

Debt

National **debt** repayments take money that could have gone to schools and clinics.

Population structure

A young **population structure** means many dependants per worker; an ageing one shifts the burden to pensions and healthcare.

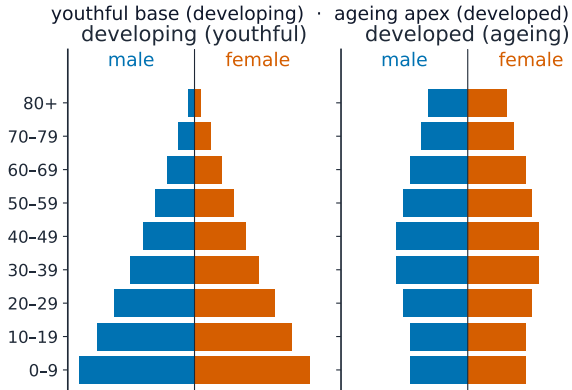
Unemployment and skills

No work, or no qualifications for the work available – the reason poverty passes from one generation to the next.

Absolute poverty is not having the necessities; relative poverty is falling far behind the country's own standard. Policies for the two differ.



Population



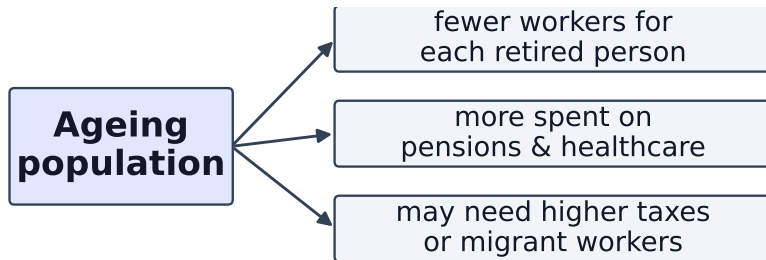
Population grows when **births** exceed **deaths** (plus migration).

A **population pyramid** : a developing country has a wide young base; a developed one is more even.

Ageing population

An **ageing population** has more older people & fewer workers. This raises spending on **pensions** & health, paid by fewer workers.

Ageing population, in detail



Exam: ageing raises dependency ratio — pressure on pensions, healthcare, and tax base

An **ageing population** has more older people & fewer workers.

The development gap

Developed countries have high incomes & good services; **developing** ones less so. Development comes from investment in capital, education & health.

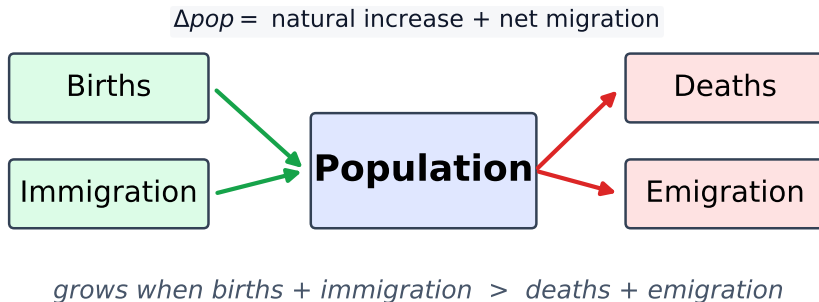
developed	developing
high income	low income
good health	poorer health
more schooling	less schooling

How developed and developing countries are linked

Developing countries sell raw materials and cheap goods to developed countries, and buy machines and skills from them.

Trade, aid, and investment from richer countries can help poorer countries develop – but developing countries can also become too dependent on them.

Population, continued



A country's population grows when births plus immigration are greater than deaths plus emigration

The population rates, and what they do

the birth rate

births each year per 1000 people

the death rate

deaths each year per 1000 people

natural change

birth rate minus death rate – before migration is counted

net migration

immigration minus emigration; added to natural change gives population growth

an ageing population

a rising share of over-65s: higher pension and healthcare costs, a shrinking workforce, and a higher [dependency ratio](#)

a young population

the opposite pressures – schools and jobs rather than pensions

“Per 1000” is what makes the rates comparable between countries of very different sizes. Quoting raw numbers instead loses the mark.

Exam tips

- **Real GDP per head** = $\text{GDP} \div \text{population}$, but it is an *average* that hides how income is shared. **HDI** adds health and education for a fuller picture.
- A population grows when births + immigration is greater than deaths + emigration. **Net migration** = immigration – emigration.
- An **ageing population** means fewer workers for each retired person, so more government spending on pensions and healthcare.
- Distinguish **absolute poverty** (cannot afford basic needs like food and shelter) from **relative poverty** (poor compared with others in the same country).



Worked example – GDP per head

Real GDP is £600bn and the population is 50 million. Find real GDP per head.

- $\text{GDP per head} = \frac{\text{real GDP}}{\text{population}}$
- $= \frac{£600,000,000,000}{50,000,000} = £12,000$
- It is an **average** – it hides how unequally the income is shared.
- It also ignores **quality of life**: health, education, pollution, leisure.

GDP per head compares **living standards** across countries of different size. For a fuller picture use the **HDI**: income **plus** health and education.

Topic 5 – key takeaways

1

Living standards

real GDP per head; HDI adds health & education

2

Poverty

absolute vs relative

3

Population

births minus deaths; pyramids differ

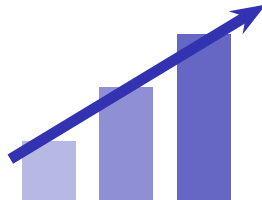
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Development

a gap closed by investment

Check yourself

- 1 What three things make up the HDI?
- 2 What is absolute poverty?
- 3 When does a population grow?
- 4 What does an ageing population strain?



Answers 1. income, education & health 2. cannot afford basic needs 3. when births exceed deaths 4. pensions & health care