

Section #4: Development Economics—30 Hours for SL and HL

4.1 Economic Development

Subtopic	IB Points to Understand (for both SL and HL unless otherwise noted)
Economic growth and economic development	<ul style="list-style-type: none">• Distinguish between economic growth and economic development.• Explain the multidimensional nature of economic development in terms of reducing widespread poverty, raising living standards, reducing income inequalities and increasing employment opportunities.• Explain that the most important sources of economic growth in economically less developed countries include increases in quantities of physical capital and human capital, the development and use of new technologies that are appropriate to the conditions of the economically less developed countries, and institutional changes.• Explain the relationship between economic growth and economic development, noting that some limited economic development is possible in the absence of economic growth, but that over the long term economic growth is usually necessary for economic development (however, it should be understood that under certain circumstances economic growth may not lead to economic development).
Common characteristics of economically less developed countries	<ul style="list-style-type: none">• Explain, using examples, that economically less developed countries share certain common characteristics (noting that it is dangerous to generalize as there are many exceptions in each case), including low levels of GDP per capita, high levels of poverty, relatively large agricultural sectors, large urban informal sectors and high birth rates.• Explain that in some countries there may be communities caught in a poverty trap (poverty cycle) where poor communities are unable to invest in physical, human and natural capital due to low or no savings; poverty is therefore transmitted from generation to generation, and there is a need for intervention to break out of the cycle.
Diversity among economically less developed nations	<ul style="list-style-type: none">• Explain, using examples, that economically less developed countries differ enormously from each other in terms of a variety of factors, including resource endowments, climate, history (colonial or otherwise), political systems and degree of political stability
International development goals	<ul style="list-style-type: none">• Outline the current status of international development goals, including the Millennium Development Goals.

4.2 Measuring Development

Subtopic	IB Points to Understand (for both SL and HL unless otherwise noted)
Single indicators	<ul style="list-style-type: none">• Distinguish between GDP per capita figures and GNI per capita figures.• Compare and contrast the GDP per capita figures and the GNI per capita figures for economically more developed countries and economically less developed countries.• Distinguish between GDP per capita figures and GDP per capita figures at purchasing power parity (PPP) exchange rates.

	<ul style="list-style-type: none"> • Compare and contrast GDP per capita figures and GDP per capita figures at purchasing power parity (PPP) exchange rates for economically more developed countries and economically less developed countries. • Compare and contrast two health indicators for economically more developed countries and economically less developed countries. • Compare and contrast two education indicators for economically more developed countries and economically less developed countries.
Composite indicators	<ul style="list-style-type: none"> • Explain that composite indicators include more than one measure and so are considered to be better indicators of economic development. • Explain the measures that make up the Human Development Index (HDI). • Compare and contrast the HDI figures for economically more developed countries and economically less developed countries. • Explain why a country's GDP/ GNI per capita global ranking may be lower, or higher, than its HDI global ranking.

4.3 The Role of Domestic Factors

Subtopic	IB Points to Understand (for both SL and HL unless otherwise noted)
Domestic factors	<ul style="list-style-type: none"> • With reference to a specific developing economy, and using appropriate diagrams where relevant, examine how the following factors contribute to economic development: a. Education and health b. The use of appropriate technology c. Access to credit and micro-credit d. The empowerment of women e. Income distribution

4.4 The Role of International Trade (One Topic HL Extension)

Subtopic	IB Points to Understand (for both SL and HL unless otherwise noted)
Trade problems facing many economically less developed countries	<ul style="list-style-type: none"> • With reference to specific examples, explain how the following factors are barriers to development for economically less developed countries. a. Over-specialization on a narrow range of products b. Price volatility of primary products c. Inability to access international markets. • With reference to specific examples, explain how the following factor is a barrier to development for economically less developed countries. a. Long-term changes in the terms of trade (HL ONLY)
Trade strategies for economic growth and economic development	<ul style="list-style-type: none"> • With reference to specific examples, evaluate each of the following as a means of achieving economic growth and economic development. a. Import substitution b. Export promotion c. Trade liberalization d. The role of the WTO e. Bilateral and regional preferential trade agreements f. Diversification

4.5 The Role of Foreign Direct Investment (FDI)

Subtopic	IB Points to Understand (for both SL and HL unless otherwise noted)
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The meaning of FDI and MNCs	<ul style="list-style-type: none"> Describe the nature of foreign direct investment (FDI) and multinational corporations (MNCs). Explain the reasons why MNCs expand into economically less developed countries. Describe the characteristics of economically less developed countries that attract FDI, including low cost factor inputs, a regulatory framework that favours profit repatriation and favourable tax rules.
Advantages and disadvantages of FDI for economically less developed countries	<ul style="list-style-type: none"> Evaluate the impact of foreign direct investment (FDI) for economically less developed countries.

4.6 The Roles of Foreign Aid and Multilateral Development Assistance

Subtopic	IB Points to Understand (for the SL and HL unless otherwise noted)
Classifications and types of aid	<ul style="list-style-type: none"> Explain that aid is extended to economically less developed countries either by governments of donor countries, in which case it is called official development assistance (ODA), or by nongovernmental organizations (NGOs). Explain that humanitarian aid consists of food aid, medical aid and emergency relief aid. Explain that development aid consists of grants, concessional long-term loans, project aid that includes support for schools and hospitals, and programme aid that includes support for sectors such as the education sector and the financial sector. Explain that, for the most part, the priority of NGOs is to provide aid on a small scale to achieve development objectives. Explain that aid might also come in the form of tied aid. Explain the motivations of economically more developed countries giving aid. Compare and contrast the extent, nature and sources of ODA to two economically less developed countries
Evaluation of foreign aid	<ul style="list-style-type: none"> Evaluate the effectiveness of foreign aid in contributing to economic development. Compare and contrast the roles of aid and trade in economic development.
The roles of the International Monetary Fund (IMF) and the World Bank	<ul style="list-style-type: none"> Examine the current roles of the IMF and the World Bank in promoting economic development

4.7 The Role of International Debt

Subtopic	IB Points to Understand (for both SL and HL unless otherwise noted)
Foreign debt and its consequences	<ul style="list-style-type: none">• Outline the meaning of foreign debt and explain why countries borrow from foreign creditors.• Explain that in some cases countries have become heavily indebted, requiring rescheduling of the debt payments and/or conditional assistance from international organizations, including the IMF and the World Bank.• Explain why the servicing of international debt causes balance of payments problems and has an opportunity cost in terms of foregone spending on development objectives.• Explain that the burden of debt has led to pressure to cancel the debt of heavily indebted countries.

4.8 The Balance Between Markets and Intervention

Subtopic	IB Points to Understand (for both SL and HL unless otherwise noted)
Strengths of market-oriented policies	<ul style="list-style-type: none">• Discuss the positive outcomes of market-oriented policies (such as liberalized trade and capital flows, privatization and deregulation), including a more efficient allocation of resources and economic growth.
Weaknesses of market-oriented policies	<ul style="list-style-type: none">• Discuss the negative outcomes of market-oriented strategies, including market failure, the development of a dual economy and income inequalities.
Strengths of interventionist policies	<ul style="list-style-type: none">• Discuss the strengths of interventionist policies, including the provision of infrastructure, investment in human capital, the provision of a stable macroeconomic economy and the provision of a social safety net.
Weaknesses of interventionist policies	<ul style="list-style-type: none">• Discuss the limitations of interventionist policies, including excessive bureaucracy, poor planning and corruption.
Market with government intervention	<ul style="list-style-type: none">• Explain the importance of good governance in the development process.• Discuss the view that economic development may best be achieved through a complementary approach, involving a balance of market oriented policies and government intervention.