

# Economic Growth and Development

## Chapter 16

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# Learning Outcomes

In this chapter we will:

- 1 explain how countries and regions can be profiled by income, wealth and equality
- 2 explain how the factors of production, such as labour, capital, human capital and technology, lead to economic development and growth
- 3 compare and analyse Ireland's economic development to that of a less-developed nation using the inequality-adjusted human development index
- 4 assess and evaluate the effectiveness of a priority area of the Irish government's programme on overseas development

# Economic Growth vs Economic Development

## Economic growth

This refers to an increase in income per head **without** any fundamental change the structure of society.

## Economic development

This refers to an increase in income per head **with** fundamental change in the structure of society.

What is 'fundamental change in the structure of society'?

- 1 Urbanisation/industrialisation of rural areas.
- 2 Universal access to education from a young age.
- 3 Shift from authoritarian/corrupt state to democracy.
- 4 Change from self-sufficient production towards commercial/capital-intensive production (i.e., away from primary activities to secondary and tertiary activities).

Ireland has all of the above – so, when income per head rises, we call it economic growth.

But, Chad doesn't have these things – fundamental social change is needed to increase income per head

# Comparing Developed Countries with LDC's

	Country	Human development index	Life expectancy at birth in years	Expected years of schooling (a)	Mean years of schooling (a)	National income per capita at PPP in US\$
1	Iceland	0.972	82.7	18.9	13.9	69,117
2	Norway	0.970	83.3	18.8	13.1	112,710
2	Switzerland	0.970	84.0	16.7	13.9	81,949
4	Denmark	0.962	81.9	18.7	13.0	76,008
5	Germany	0.959	81.4	17.3	14.3	64,053
5	Sweden	0.959	83.3	19.0	12.7	66,102
7	Australia	0.958	83.9	20.7	12.9	58,277
8	Hong Kong, China (RAE)	0.955	85.5	16.9	12.4	69,436
8	Netherlands	0.955	82.2	18.6	12.7	68,344
10	Belgium	0.951	82.1	19.0	12.7	63,582
11	Ireland	0.949	82.4	19.2	11.7	90,885
183	Madagascar	0.487	63.6	9.1	4.6	1,656
184	Yemen	0.470	69.3	7.5	5.5	1,018
185	Sierra Leone	0.467	61.8	9.1	3.5	1,714
186	Burkina-Faso	0.459	61.1	8.7	2.3	2,391
187	Burundi	0.439	63.7	9.8	3.5	859
188	Mali	0.419	60.4	7.0	1.6	2,342
189	Nigeria	0.419	61.2	8.3	1.4	1,590
190	Chad	0.416	55.1	8.3	2.3	1,748
191	Central African Republic	0.414	57.4	7.4	4.0	1,100
192	Somalia	0.404	58.8	7.5	1.9	1,475
193	South Sudan	0.388	57.6	5.6	5.7	688

## Comparing Developed Countries with LDC's

Iceland's HDI level of 0.972 far exceeds that of Mali (0.419) given its level of economic growth, higher literacy rate, dramatically better infrastructure, greater health and safety standards, superior standard of living as well as low birth and death rates.

In particular, Iceland has a life expectancy at birth of 82.7 years, 18.9 years of expected schooling and a GNI per capita of \$69,117. In contrast, Mali has a life expectancy at birth of 60.4 years, 7.0 years of expected schooling and a GNI per capita of \$2,342.

Metric	HDC	LDC
Literacy	High	Low
Birth rate	Low	High
Death rate	Low	High
Health & safety	High	Low
Living Standards	High	Low
Primary economic activity	Tertiary	Secondary
Years education	High	Low
Infrastructure	Excellent	Poor
Income per head	High	Low

# Effectiveness of Irish Foreign Aid

In 2019, the Government spent over €869 million on Ireland's aid programme. The programme is known as the Official Development Assistance programme and represented 0.32% of Gross National Product or 32c per €100 the country produces. The Development Cooperation and Africa Division (DCAD) of the Dept of Foreign Affairs managed €545 million of this funding. €323 million was allocated through other government departments, mainly the Dept of Agriculture, Food and the Marine, and Dept of Finance, and via Ireland's contribution to the EU Development Co-operation Budget. (IrishAid.ie)

## Foreign aid

Is the transfer of capital, goods or services from one country to the recipient in benefit. Aid can be economic, military, or emergency humanitarian (e.g., aid given following natural disasters).

Ireland provides aid to LDC's through Official Development Assistance, as outlined in the excerpt above. There are many benefits to Ireland's ODA programme, including:

- 1 Ending poverty
- 2 Expanding access to education
- 3 Improving health, safety and sanitation
- 4 Supplying clean, safe water to locals
- 5 Fair trade and economic growth

# Conflicts Between the State and NGO's in Delivering Foreign Aid

- Role of government: maximise the welfare of citizens of the country in which they are elected by prioritising economic growth, full employment and stable prices, e.g., Irish government.
- Role of NGO: promote social advocacy and campaign for human rights by developing society and improving communities, e.g., Focus Ireland.
- While NGO's focus mainly on a single altruistic cause, the scope of government can vary widely.
- The Peter McVerry Trust, for example, advocates greater spending on social housing by The State although parties like Fine Gael would prefer those houses to be built by the private sector.
- The Immigrant Council of Ireland (NGO) would like to see the government accept greater amounts of refugees from Syria but the government wants to limit immigrant refugees to prevent a strain on our educational and healthcare resources.
- Trócaire wants the Irish state to contribute more foreign aid to starving children out in Africa but the government may want to spend the money on a new road in Ireland instead (opportunity cost).