

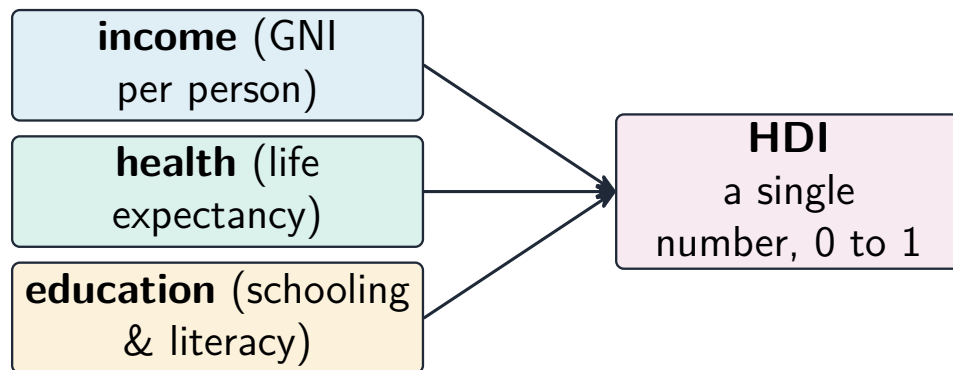
Exercise walk-through

11.5

Relationship between countries at different levels of development

A-Level Economics

Growth vs development and the HDI



Growth is more income; **development** is wider – health, education & freedom. The **HDI** rolls income, **life expectancy** & education into one number (0–1).

Growth is not development

economic growth

a rise in **real output** – one number, and it says nothing about who received it

economic development

a rise in **welfare and freedom**: health, education, and choice

why they differ

an oil discovery can raise GDP sharply while schooling, health and inequality are unchanged or worse

the HDI

income, life expectancy and education combined into one index

education measured as

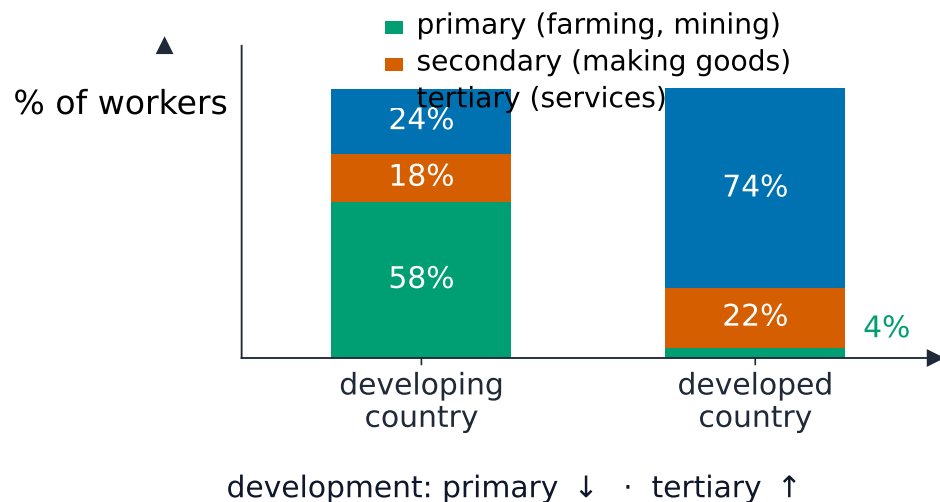
mean and expected **years of schooling**

other signs

access to clean water, doctors per person, and mobile-phone and internet use

Growth is a **means**; development is the **end**. Every question comparing two countries wants that distinction made explicitly.

Comparing countries



A **developed** country vs a **developing** country differ in income, birth rate & life expectancy.

As a country develops, workers shift **primary** → **secondary** → **tertiary**.

Developed and developing, and where the work is

Developed country

A **developed country** has high income per person, low birth rate, high life expectancy and a small share of workers in farming.

Developing country

A **developing country** has lower income, often high population growth, lower life expectancy and a large farming workforce.

Employment structure

The **employment structure** shifts as a country develops: out of the **primary sector** (farming, mining), into the **secondary sector** (making goods), and later into the **tertiary sector** (services).

Standard of living

Development is about the **standard of living** – health, education and freedom of choice – not income alone.

The sector shares are a development measure in their own right: a stacked bar tells you roughly where a country sits before you look at any income figure.

What actually shapes a country's development

savings and investment

without domestic saving, investment must be borrowed or attracted from abroad

education and health

the productivity of the workforce, and how long it stays productive

infrastructure

roads, ports, power, broadband – what every other activity rests on

stable government and law

contracts enforced and property secure, or nobody invests for the long term

access to world markets

landlocked, or facing tariff walls, and the export route closes

the visible marker

the [share of workers in farming](#): small in a developed economy, large in a developing one

None of these acts alone, which is why single-cause explanations of poverty fail. Name at least two and say how they reinforce each other.

Exercises 2.1-2.3

2.1 Define the term *foreign direct investment (FDI)*.

[2]

2.2 Define the term *remittances*.

[2]

2.3 State one drawback to a developing country of relying on foreign aid.

[1]

Exercises 2.1·2.3

2.1 Define the term *foreign direct investment (FDI)*. [2]

2.1

- investment by a firm from one country in productive operations (factories, businesses) in another country (2 for a clear definition; 1 for a partial idea)
-

2.2 Define the term *remittances*. [2]

2.2

- money sent home by workers who have migrated abroad (2 for a clear definition; 1 for a partial idea)
-

2.3 State one drawback to a developing country of relying on foreign aid. [1]

2.3

- any one of: it can create dependency; it may be wasted or misused; it can come with conditions (1)

Exercises 3.1-3.2

3.1 A possible drawback to a developing country of foreign direct investment is that: [1]

☐

A it brings in no new technology

B profits may flow back to the foreign company abroad

C it always reduces employment

D it lowers the country's exports

3.2 Explain two ways foreign direct investment can help a developing country. [6]

Exercises 3.1-3.2

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3.1 B

- A drawback of FDI is that profits may flow back to the foreign firm abroad

3.2 Explain two ways foreign direct investment can help a developing country. [6]

3.2

- [6] For **each** of two ways: AO1 1 + AO3 up to 2 – e.g. *jobs and income*: a multinational builds a factory
- creates jobs
- raises incomes and tax revenue. *Technology transfer*: it brings modern methods and training
- local productivity rises
- the economy can grow faster. Maximum 3 each

Exercise 3.3

3.3 Discuss whether foreign aid is the best way to support development in a poor country. [12]

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3.3

- [12] AO1/AO2/AO3 up to 8 + AO4 up to 4. **For aid:** funds schools, hospitals and infrastructure a poor country cannot afford, and can relieve emergencies. **Against:** it may create dependency, be wasted by corruption, or come with strings; trade, FDI and debt relief may do more for self-sustaining growth. Judgement: aid helps most when targeted at health, education and infrastructure and combined with trade and investment – no single channel is best; it depends on the country's needs and governance