Economic development

IGCSE Economics

Living standards

"Living standards" means how well people live — their income, health, education, and quality of life.

Indicators of living standards

An **indicator** 指标 is a number we use to measure something. Two indicators of **living standards** 生活水平 are common.

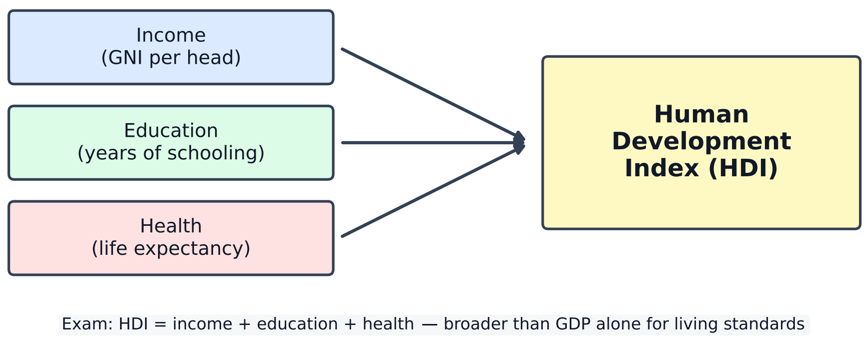
Real GDP per head is the main one. **GDP** (**gross domestic product** 国内生产总值) is the total value of goods and services a country makes in a year. **Real** 实际 means after rising prices are taken out. **Per head** 人均 means divided by the number of people. So real GDP per head shows the average output — and roughly the average **income** 收入 — of each person. Higher real GDP per head usually means higher living standards.

Worked example. A country produces real GDP of £600 billion and has a population of 50 million people. Find its real GDP per head.

- real GDP per head = 600 billion ÷ 50 million = £12,000 per person.

This is only an *average*. It does not show how the income is shared: the same £12,000 average could hide most people being much poorer while a few are very rich. That is why HDI, below, adds health and education.

The **Human Development Index** 人类发展指数 (HDI) is a wider measure. It combines three things: income per head, education (years of schooling), and health (measured by **life expectancy** 预期寿命 — how long people are expected to live). HDI gives a fuller picture than GDP alone.



The HDI combines income (GNI per head), education (years of schooling) and health (life expectancy) into one number between 0 and 1

Limits of the comparison

Comparing living standards is not simple:

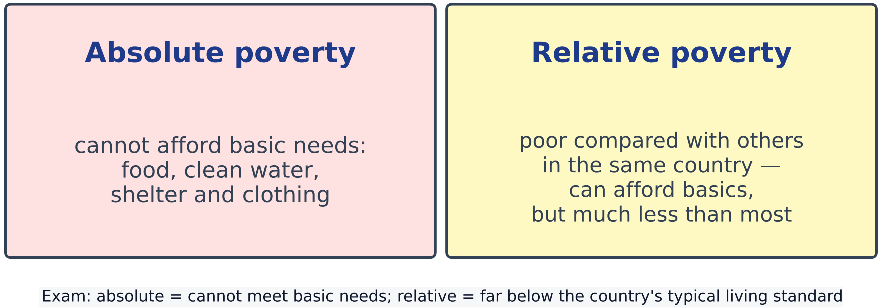
- GDP per head is an *average*. It hides the **income distribution** 收入分配 — a country can have a high average but a few rich people and many poor people.
- it leaves out unpaid work, and work in the hidden economy.
- it does not measure pollution, free time, or safety.
- prices and money differ between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

This is why HDI, which adds health and education, is often a better guide.

Poverty

Poverty 贫困 is when people cannot afford a basic standard of living. There are two types:

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



Two types of poverty: absolute (cannot afford basic needs) and relative (poor compared with others in the same country)

Absolute poverty: in informal settlements many people lack basic needs such as safe housing, clean water and sanitation

Causes of poverty

- low income, low **wages** 工资, or no job (unemployment).
- poor education and poor health, which make it hard to get good work.
- old age, or having many children to support.

Policies to reduce poverty

- **economic growth** 经济增长 — a growing economy creates jobs and income.
- **redistribute** 再分配 income — use progressive taxes on the rich to pay for help for the poor.
- a **minimum wage** 最低工资 — a legal lowest wage, so low-paid workers earn more.
- state **benefits** 福利 — money paid by the government to the poor, old, or unemployed.
- better state education and healthcare, so the poor can improve their lives.

Population

A country's **population** 人口 is the number of people living in it. Three things change its size.

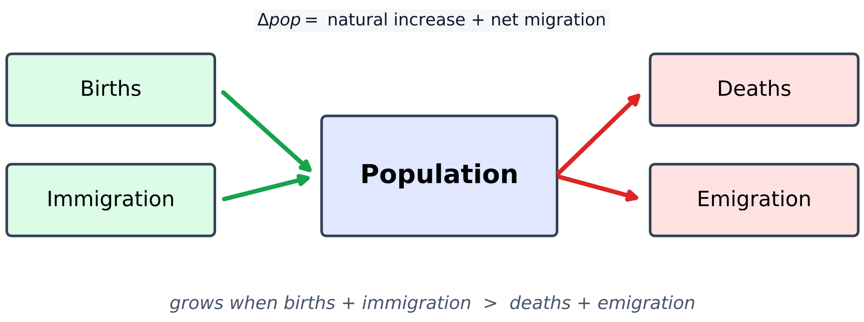
- the **birth rate** 出生率 — the number of births each year for every 1000 people.
- the **death rate** 死亡率 — the number of deaths each year for every 1000 people.
- **migration** 移民 — people moving between countries. **immigration** 迁入 is people moving *in*; **emigration** 迁出 is people moving *out*. **Net migration** 净移民 is immigration minus emigration.

The population grows when births plus immigration are more than deaths plus emigration.

Worked example. In one year a country has 800,000 births, 500,000 deaths, 300,000 immigrants and 100,000 emigrants. Find the net migration and the total change in population.

- net migration = immigration - emigration = 300,000 - 100,000 = 200,000 (a net gain).
- natural change = births - deaths = 800,000 - 500,000 = 300,000.
- total change = natural change + net migration = 300,000 + 200,000 = 500,000.

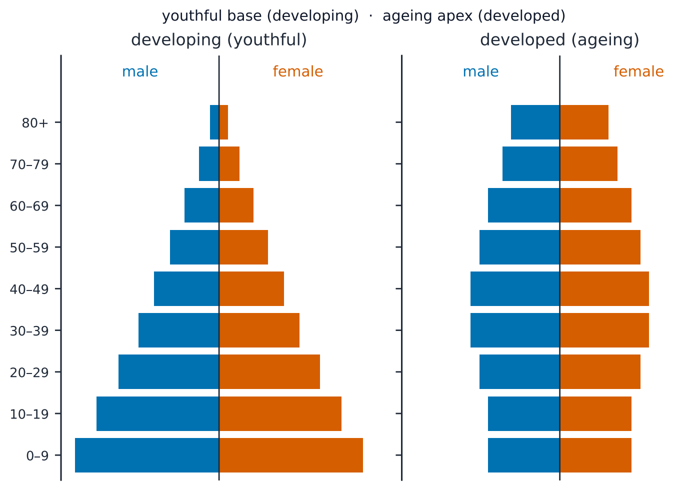
So the population grew by 500,000 people that year.



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

Population structure

The **population structure** 人口结构 is how the population is split by age and sex. We often draw it as a **population pyramid** 人口金字塔 — a chart with age groups stacked up, males on one side and females on the other.

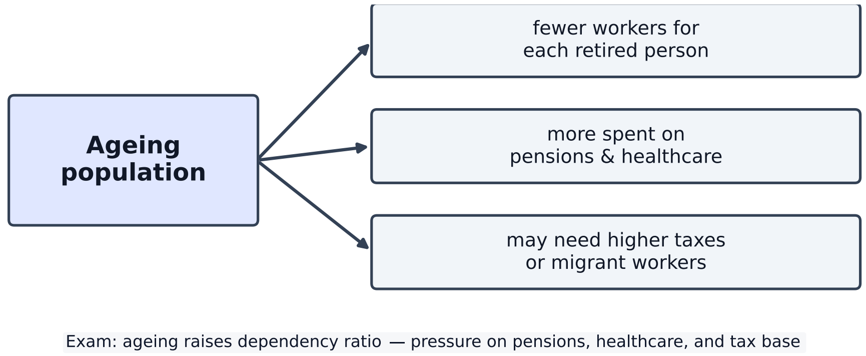


A developing country has a wide-based, youthful pyramid; a developed country is more column-shaped with a wider top (an ageing population).

An ageing population

In many richer countries the **ageing population** 人口老龄化 is a big change: people live longer and have fewer children, so the share of old people rises. Effects:

- fewer workers compared with the number of retired people, so each worker must support more people.
- the government spends more on pensions and healthcare.
- it may need higher taxes, or workers from other countries, to fill the gap.



The main effects of an ageing population

Differences in economic development between countries

Economic development 经济发展 means a rise in people's well-being, not just more output. We often split the world into **developed countries** 发达国家 (rich, like Japan or Germany) and **developing countries** 发展中国家 (poorer, with lower incomes).

A developed economy: high incomes support a modern city of offices, finance and services

Why countries differ

- **income** — developed countries have much higher income per head.
- **productivity** 生产率 — developed countries use more capital and skill, so each worker produces more. In many developing countries, farmers do **subsistence farming** 自给农业 (growing food just for their own family), which produces little to sell.
- **population** — developing countries often have higher birth rates and younger populations.
- **resources, education, and health** — better schools, hospitals, and use of resources all raise development.
- **debt** 债务 — many developing countries owe large amounts of money, and paying it back leaves less for schools and hospitals.
- **trade** 贸易 — developed countries trade more, and often sell higher-value goods.

How developed and developing countries are linked

The two groups depend on each other. 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.

Exam tips

- **Real GDP per head** = GDP ÷ 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).