



MACROECONOMICS - Differences in economic development between countries

By Kru P'Da and Kru P'Eve Knockout.Economics

Overviews

1. Characteristics of developed and developing countries
2. Causes of differences in economic development between countries
3. The problems of countries with low economic development
4. Measures to promote economic development



1. Characteristics of developed and developing countries.

Economic development : an improvement in living standards.

Characteristics of developed and developing countries.

Characteristics of developed countries (such as United States of America, Singapore , Australia)	Characteristics of developing countries (such as Thailand, India, Philippines, Nepal)
1. High income per head	1. Low income per head
2. Low birth rate	2. High birth rate
3. Low death rate	3. High death rate
4. Long life expectancy	4. Short life expectancy
5. High level of literacy/education provision	5. Low level of literacy/education provision
6. High proportion of the labour force in tertiary / low proportion in primary sector	6. High proportion of the labour force in primary sector / low proportion in tertiary

2. Causes of differences in economic development between countries.

1. Differences in income per head

People in the country with lower GDP per head tend to have **low income** and suffer from poor living condition.

2. Differences in saving

Countries with low income tend to have low saving, then they **lack of money to invest in capital and education** and have low living standards.

3. Differences in investment

Countries with low investment in capital per worker tend to have **low income per head** and low living standards.

4. Differences in population growth

In countries with high population growth, **resources might not be enough** to feed all people, resulting in low quality of life.

5. Differences in education and healthcare.

People in the country with low quantity and quality of education and healthcare tend to have **low productivity** and low living standards.

6. Differences in size of primary, secondary and tertiary sectors.

National income and working condition are low in the country with large proportion of workers employed in the primary sector.

7. Differences in the concentration on a narrow range of primary export

Countries with exporting a particular primary products tend to have **unstable national income**.

8. Differences in productivity.

Countries with low output per worker per period of time tend to have **low income per head** and low living standards.

3. The problems of countries with low economic development

The problems facing economies with relatively low economic development.

1. High population growth	Resources are used for raising children rather than developing productive potential.
2. High international debt	Government has to repay debt. It has lower ability to provide education and healthcare.
3. Reliance on the export of primary goods	When price of agricultural products fall, poor countries with exporting the products receive lower export revenue.
4. Lack of investment in human capital and capital goods	People have low productivity and low income.
5. Emigration of key workers	Skilled and key workers such as doctors and teachers work abroad to get better payment and living condition. There are low supply of skilled workers.
6. Trade restrictions on their products	Trade restrictions, such as tariff, make difficulties for developing countries to export their products. The countries cannot get export revenue.
7. Unbalanced economies	A lack of developed financial sector tends to discourage saving and investment.

4. Measures to promote economic development.

Policies to promote economic development	Limitation of policies
1. The protection of new domestic industries against foreign competition by the government	1. It can cause retaliation and the country may have lower export revenue.
2. Promoting export to create jobs for local people and also to create income.	2. Domestic industries may rely on government help rather than improving their efficiency.
3. Improving infrastructure to reduce transport cost for businesses.	3. It has opportunity cost from spending on infrastructure.
4. Providing education and healthcare to improve productivity of poor people.	4. Poor education cannot improve skills and productivity. They cannot get jobs and income.
5. Encouraging MNCs to invest in the country to create jobs and government can get tax revenue.	5. MNCs may transfer profit back and may avoid paying tax .
6. Loan from abroad and foreign aids to develop country	6. Foreign financial aids may be used for non-profitable projects and corruption .

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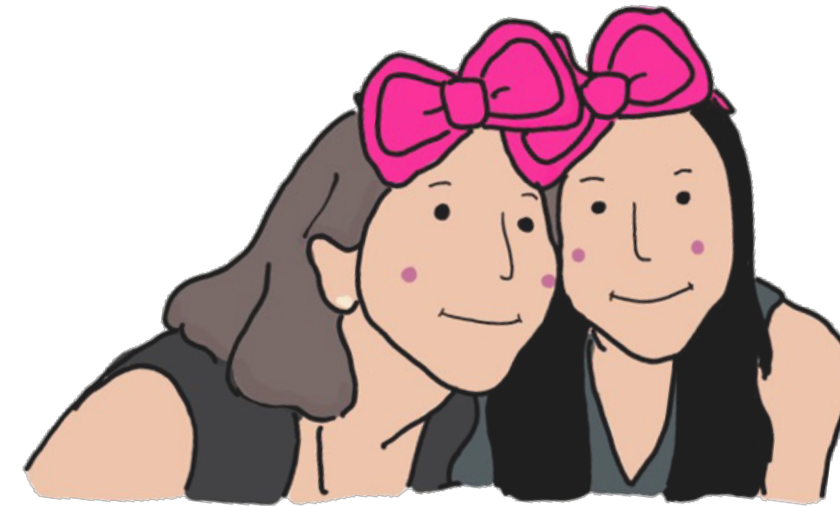
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MACROECONOMICS - Exercise

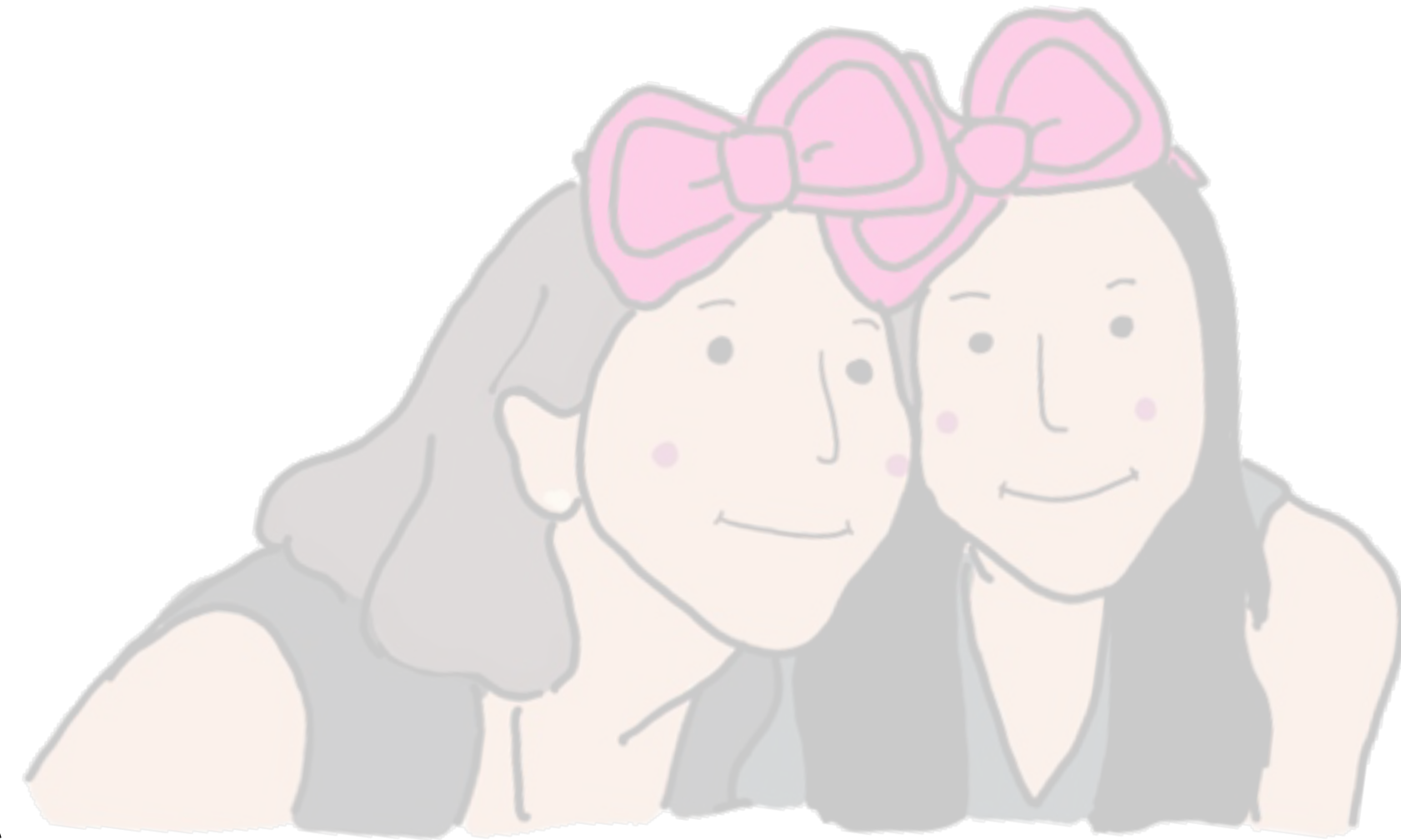
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Exercise: MCQ

1.) What is a common characteristic of developed countries?

- A. high birth
- B. a low population
- C. high fertility rate
- D. low death rates *



Exercise: MCQ

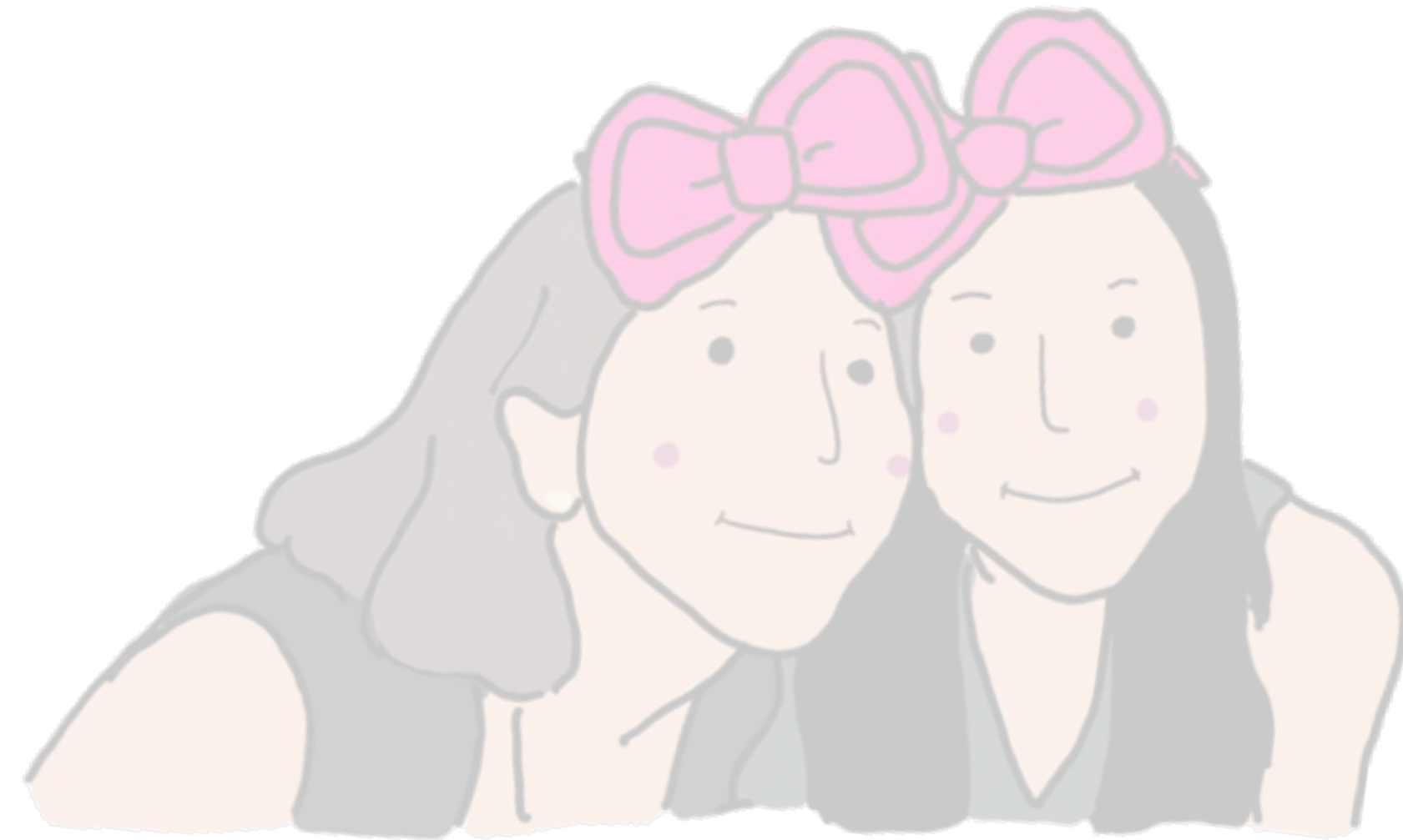
2.) What is likely to happen when a developing country becomes more developed?

- A. lower the average number year of schooling
- B. average life expectancy will rise *
- C. higher rate of population growth
- D. decline in proportion of labour in the tertiary sector



Exercise: Essay

1.) Explain two reasons why a government would like to turn its country from a developing into a developed country.



Exercise: Essay

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- Developed countries have **higher income per head or GDP per capita** => It reduces poverty and improves standards of living.
- Developed countries have **better education** => It increase skilled workers and country's productivity.
- Developed countries have **better healthcare** => It increases life expectancy and reduces death rate.
- Developed countries have **a large proportion of workers in the tertiary sector** => It has better working conditions and people's standard of living will be better.

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