Your notes

GCSE Economics: revision notes

Economic development, poverty and population

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Start here: measuring living standards

- **Real GDP per head** is the value of a country's output, adjusted for inflation, divided by its population. It shows the average income, but not how it is shared out, or things like health and free time.
- The **Human Development Index** (HDI) combines three things: income (gross national income per head), education (years of schooling) and health (life expectancy). It goes from 0 to 1, and higher is better.
- Living standards differ between and within countries because of differences in income, education, health care, inequality, jobs and the environment.

Poverty

- **Absolute poverty** is not having enough income for basic needs: food, clean water, shelter and clothing. **Relative poverty** is having much less than the average in your country, so you can't take part in normal life.
- Causes include unemployment, low wages, illness, old age and environmental problems such as drought or floods.
- Ways to reduce it: economic growth, better education and health care, more generous state benefits, progressive taxes (the rich pay a bigger share of their income) and a national minimum wage.

Population

- Population changes with the **birth rate**, the death rate and **net migration** (immigration minus emigration). Birth and death rates are given per 1,000 people per year.

- **Birth rates** are often higher in poorer countries: children may help work, contraception is less available and more children die young. Death rates fall with better health care, diet and clean water.
- An **optimum population** is the size that gives the highest output per head. An ageing population needs more spending on pensions and health care, with fewer workers paying taxes. A young, fast-growing population needs schools and jobs, but gives a large future workforce.

Differences in development between countries

- Developed countries usually have high incomes, high HDI, low birth and death rates and most workers in the tertiary sector. Developing countries usually have lower incomes and more workers in the primary sector.
- Causes of the differences include income and productivity, education and skills, health care, the reliance on primary products whose prices go up and down, debt, corruption, conflict and how much countries trade.
- Consequences: lower living standards, emigration of skilled workers, and less money for investment, which can keep countries poor.

Key terms

Real GDP per head	The value of a country's output, adjusted for inflation, divided by its population.
Human Development Index	A measure of development combining income, education and life expectancy.
Absolute poverty	Not having enough income to meet basic needs such as food and shelter.
Relative poverty	Having much less income than the average in your country.
Birth rate	The number of births per 1,000 people per year.
Net migration	Immigration minus emigration.
Optimum population	The population size that gives the highest output per head.

Quick questions

Cover the answers and test yourself: remembering is what makes it stick.

1. What three things does the HDI combine?
2. Why is real GDP per head not a perfect measure of living standards?
3. What is absolute poverty?
4. What is relative poverty?
5. Which policy redistributes income using taxes?
6. How is net migration worked out?

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7. Why are birth rates often higher in poorer countries?
8. What problem does an ageing population cause?

Answers

1. Income, education and life expectancy
2. It doesn't show how income is shared or measure health
3. Not having enough for basic needs such as food and shelter
4. Having much less income than the average in your country
5. Progressive taxation
6. Immigration minus emigration
7. Children help with work and contraception is less available
8. More spending on pensions and health with fewer workers paying tax

What to do next

Practise 10 questions on this topic

Try 3 exam questions, with mark schemes

Read the lesson, one step at a time

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