

Sub-topic	SL/HL core	HL
		<ul style="list-style-type: none"> Explain the impacts of short-term fluctuations and long-term deterioration in the terms of trade of economically less developed countries that specialize in primary commodities, using the concepts of price elasticity of demand and supply for primary products and income elasticity of demand.

Section 4: Development economics

4.1 Economic development

Sub-topic	SL/HL core	HL
The nature of economic growth and economic development		
Economic growth and economic development	<ul style="list-style-type: none"> Distinguish between economic growth and economic development. Explain the multidimensional nature of economic development in terms of reducing widespread poverty, raising living standards, reducing income inequalities and increasing employment opportunities. Explain that the most important sources of economic growth in economically less developed countries include increases in quantities of physical capital and human capital, the development and use of new technologies that are appropriate to the conditions of the economically less developed countries, and institutional changes. 	

Sub-topic	SL/HL core	HL
	<ul style="list-style-type: none"> Explain the relationship between economic growth and economic development, noting that some limited economic development is possible in the absence of economic growth, but that over the long term economic growth is usually necessary for economic development (however, it should be understood that under certain circumstances economic growth may not lead to economic development). 	
Common characteristics of economically less developed countries	<ul style="list-style-type: none"> Explain, using examples, that economically less developed countries share certain common characteristics (noting that it is dangerous to generalize as there are many exceptions in each case), including low levels of GDP per capita, high levels of poverty, relatively large agricultural sectors, large urban informal sectors and high birth rates. Explain that in some countries there may be communities caught in a poverty trap (poverty cycle) where poor communities are unable to invest in physical, human and natural capital due to low or no savings; poverty is therefore transmitted from generation to generation, and there is a need for intervention to break out of the cycle. 	

Sub-topic	SL/HL core	HL
Diversity among economically less developed nations	<ul style="list-style-type: none"> Explain, using examples, that economically less developed countries differ enormously from each other in terms of a variety of factors, including resource endowments, climate, history (colonial or otherwise), political systems and degree of political stability. 	
International development goals	<ul style="list-style-type: none"> Outline the current status of international development goals, including the Millennium Development Goals. 	

Theory of knowledge: potential connections

What are the knowledge issues involved in compiling a list of development goals?

Does the term “economic development” mean different things in different cultures?

Are there two ways of thinking about economics: from the point of view of an economically more developed country or from that of an economically less developed country? If so, what is the difference? Are there two different sets of values in which such a distinction is grounded?

How can we decide if the distinction between economically more developed countries and economically less developed countries is a meaningful one given that economic development itself might not be so clearly defined?

4.2 Measuring development

Sub-topic	SL/HL core	HL
Measurement methods		
Single indicators	<ul style="list-style-type: none"> Distinguish between GDP per capita figures and GNI per capita figures. Compare and contrast the GDP per capita figures and the GNI per capita figures for economically more developed countries and economically less developed countries. Distinguish between GDP per capita figures and GDP per capita figures at purchasing power parity (PPP) exchange rates. 	