

4.8 The balance between markets and intervention

Sub-topic	SL/HL core	HL
Strengths and weaknesses of market-oriented policies		
Strengths	<ul style="list-style-type: none"> Discuss the positive outcomes of market-oriented policies (such as liberalized trade and capital flows, privatization and deregulation), including a more efficient allocation of resources and economic growth. 	
Weaknesses	<ul style="list-style-type: none"> Discuss the negative outcomes of market-oriented strategies, including market failure, the development of a dual economy and income inequalities. 	
Strengths and weaknesses of interventionist policies		
Strengths	<ul style="list-style-type: none"> Discuss the strengths of interventionist policies, including the provision of infrastructure, investment in human capital, the provision of a stable macroeconomic economy and the provision of a social safety net. 	
Weaknesses	<ul style="list-style-type: none"> Discuss the limitations of interventionist policies, including excessive bureaucracy, poor planning and corruption. 	
Market with government intervention	<ul style="list-style-type: none"> Explain the importance of good governance in the development process. Discuss the view that economic development may best be achieved through a complementary approach, involving a balance of market oriented policies and government intervention. 	

Theory of knowledge: potential connections

What criteria can economists use to decide on the balance between markets and intervention?

Is development economics dependent upon external normative notions such as what constitutes a good or fulfilled life?