**KEY CONCEPTS AND SKILLS: Unit 4.1 – Understanding Economic Development**

**Definitions:**

* **Economic Growth**: increases in total real output (real GDP) produced by an economy over time
* **Economic Development**: broad-based increases in the standard of living and well-being of a population
* **LEDC**: Less economically developed country
* **MEDC**: More economically developed country
* **Dual Economy**: when two different and opposing sets of economic circumstances exist simultaneously (e.g., wealthy/educated vs. poor/uneducated; modern agriculture vs. subsistence agriculture; formal vs. informal urban sector)
* **Urban Informal Sector**: the part of an urban economy that lies outside of the formal economy, consisting of activities that are unregistered and legally unregulated
* **Poverty Trap** (or **Poverty Cycle**): when low incomes result in low (or zero) savings, permitting only low (or zero) investments in physical, human and natural capital, and therefore low productivity of labor and land.

**Concepts and Applications:**

1. ***Economic Growth and Economic Development***
2. Distinguish between *economic growth* and *economic development*.
3. Explain the multidimensional nature of economic development (in terms of reducing widespread poverty, raising living standards, reducing income inequalities and increasing employment opportunities).
4. Explain the most important sources of economic growth in LEDCs.
5. Explain why economic growth is necessary, not not sufficient, for economic development.
6. With reference to a PPF diagram, explain the following three situations:
   * Economic growth leading to economic development
   * Economic growth without economic development
   * Economic development without economic growth
7. Explain why commodity-based growth has been problematic for many countries.
8. ***Common Characteristics of LEDCs***
9. Explain, using examples, that economically less developed countries often share certain common characteristics (albeit with many exceptions).
   * Explain, using examples, why it is dangerous to over-generalize the similarities among less economically developed countries.
10. Using the concept of income elasticity of demand, explain why the agricultural sector tends to shrink as a country becomes more developed.
11. Use an AD-AS diagram to show how political instability works against economic growth.
12. With reference to a diagram, explain how some communities may be caught in a poverty trap (poverty cycle) and how the cycle may be broken.
    * Explain how poverty traps can also apply to entire countries, and how the cycle may be broken.
13. Explain the meaning of the Millennium Development Goals and outline progress against the targets and indicators.