**KEY CONCEPTS AND SKILLS: Unit 4.8– Consequences of Economic Growth / The Balance Between Markets and Intervention**

**Definitions:**

* **Social Safety Net**: a system of government transfers of cash or goods to vulnerable groups, undertaken to ensure that those groups do not fall below a socially acceptable minimum standard of living
* **Market**-**Oriented Policies**: a policy in which government intervention is limited, economic decisions are mainly made by private decision-makers (firms and consumers), and the market has significant freedom to determine resource allocation
	+ Examples include policies to encourage competition (deregulation, privatization, antitrust), labour market reforms and trade liberalization.
* **Interventionist Policies**: any policy based on government intervention in the market intended to correct market deficiencies and create an environment in which markets can work more effectively.
* **Governance**: the manner in which power is exercised in the management of a country’s economic and social resources

**Concepts and Applications:**

* Discuss the possible consequences of economic growth, including:
	+ Impacts on living standards
	+ Unemployment
	+ Inflation
	+ Distribution of income
	+ The current account
	+ Sustainability
* Explain what is meant by “market-oriented policies”. I.e., What policies would be described as market oriented?
* Discuss the positive and negative outcomes of market-oriented policies.
* Discuss the strengths and limitations of interventionist policy.

* 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 between market-oriented policies and government intervention.
* Discuss the view that governments should intervene more strongly in countries that are at a relatively lower level of economic development, and less strongly as countries grow and develop.

***Recent Economic Development Exam Questions: (All were case-based questions)***

**May 2013**

Using information from the text/data and your knowledge of economics, evaluate the view that a balance between market-oriented policies and government intervention is needed in order to promote economic development in Cuba. *[8 marks]* [SL Paper 2]

Using information from the text/data and your knowledge of economics, discuss the possible effects on the economic development of Cambodia of investment from China and the United States (US). *[8 marks]* [HL/SL Paper 2]

Using information from the text/data and your knowledge of economics, evaluate the use of micro-credit in promoting economic development in economically less-developed countries. [8 marks] [HL Paper 2]

**May 2014**

Using information from the text/data and your knowledge of economics, discuss the main challenges facing Ivory Coast as it seeks to achieve economic growth and economic development. [8 marks] [HL Paper 2]

Using information from the text/data and your knowledge of economics, evaluate the strengths and weaknesses of market-oriented policies used by African governments to encourage economic growth. [8 marks] [HL Paper 2]

Using information from the text/data and your knowledge of economics, evaluate the likely effectiveness of the AfDB and Ugandan government projects in promoting economic development. [8 marks] [SL Paper 2] (note: AfDB provides foreign aid)

Using information from the text/data and your knowledge of economics, discuss strategies that the Haitian government might use to achieve economic growth and development. [8 marks] [SL Paper 2]