

OXFORD CAMBRIDGE AND RSA EXAMINATIONS

Advanced GCE

ECONOMICS

2886

ECONOMICS OF DEVELOPMENT

Monday

31 JANUARY 2005

Afternoon

1 hour 30 minutes

Additional materials:
Answer Booklet

TIME 1 hour 30 minutes

INSTRUCTIONS TO CANDIDATES

Write your name, Centre number and candidate number in the spaces provided on the answer booklet.

Answer Question 1 and **one** question from Section B.

Write all your answers on the separate answer booklet provided.

If you need to use additional answer sheets, fasten these sheets securely to the answer booklet.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets [] at the end of each question or part question.

The quality of your written communication will be taken into account in the marking of your answer to Section B.

This question paper consists of 4 printed pages.

Section A

Answer this question.

1 Debt crises in Latin America and the Far East

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Details: An extract of text about debt crisis in Latin America and the Far East

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Details: A table showing the growth in gross domestic product of Latin America and the Far East

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Details: A table showing the current account and external debt of Latin America and the Far East from 1996-2001

Fig. 1: External Debt as a percentage of GDP and Exports
(annual average 1996–2001)

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Details: A graph showing the external debt as a percentage of GDP and Exports of Latin America and the Far East

Source: Lloyds TSB Economic Bulletin Nov 2002

A recent IMF study identified three key weaknesses in the economies of Latin America:

- poor world trade links;
- the instability of macro-economic policies;
- low saving rates associated with an underdeveloped financial system.

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- (a) Explain why data for Latin America does not necessarily give an understanding of an individual economy, such as Argentina. [2]
- (b) (i) Explain what is meant by an international debt crisis (line 1). [3]
- (ii) Use Table 1 to show how the debt crisis in Latin America has affected its economic growth. [3]
- (iii) With reference to the information provided, compare the extent to which the economies of Latin America and the Far East are able to manage their external debt. [6]
- (c) Discuss the ability of developing economies to overcome any **one** of the weaknesses identified by the IMF (lines 10 to 13). [6]

Section B

Answer **one** question.

- 2 (a) Explain the meaning of the statement that economic growth is a necessary but not sufficient condition for economic development. [10]
- (b) Discuss whether developed economies are those which have reached the take-off stage in Rostow's model of growth. [15]
- 3 (a) Explain why countries have achieved different levels of economic development. [10]
- (b) Discuss the view that economic development is impossible without a significant element of state planning. [15]
- 4 (a) Explain the economic factors which contribute to the relatively low literacy and health levels in developing economies. [10]
- (b) Discuss whether significant increases in expenditure on education and healthcare are necessarily beneficial to a developing economy. [15]