

OXFORD CAMBRIDGE AND RSA EXAMINATIONSAdvanced GCEECONOMICSECONOMICS OF DEVELOPMENTMonday31 JANUARY 2005Afternoon1 hour 30 minutesAdditional materials:<br/>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.

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### Section A

### Answer this question.

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

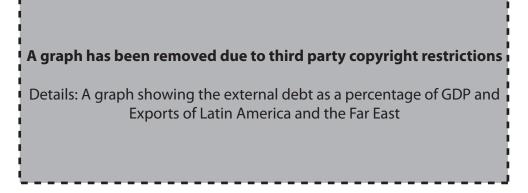
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Details: A table showing the growth in gross domestic product of Latin America and the Far East

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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)



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;

1

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

10

5

- (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]

Q1: Lloyds TSB Economic Bulletin November 2002