2.28 Growth and Development: Barriers and Strategies in Poorer Economies

Total Marks

AQA 7136 · Calculators not allowed · about 90 minutes · Write-in edition

Name: _____ Date: ____ / ____ / _____

Answer all questions. Write full sentences for questions worth 4 marks or more. Time guidance: 90 minutes for the whole pack.

1 Calculation: GDP per capita for a named poorer economy, context: country Nuru has nominal GDP of £48 billion and a population of 12.0 million. Calculate GDP per capita in £ and state one limitation of using this figure to measure development.

(Total for Question 1 is 4 marks)

2 State one limitation of using GDP per capita when comparing development between poorer economies, illustrated with a brief example.

(Total for Question 2 is 2 marks)

3 Evaluate the view that trade liberalisation is the most effective strategy for promoting development in poorer economies.

(Total for Question 3 is 25 marks)

4 Explain how primary product dependency can act as a barrier to economic development in a poorer economy such as a small commodity-exporting country.

(Total for Question 4 is 4 marks)

5 Calculation of percentage change in export revenue for a named poorer economy, context: country Koya's coffee export earnings fell from £480 million to £408 million between two consecutive years.

(Total for Question 5 is 4 marks)

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6 Explain two ways in which corruption and weak institutions can hinder development in a low-income economy, giving brief examples.

(Total for Question 6 is 5 marks)

7 Explain the different roles of the World Bank and the International Monetary Fund (IMF) when supporting a low-income developing economy facing slow growth and a balance of payments problem.

(Total for Question 7 is 6 marks)

8 Data extract comparing development indicators for two poorer economies, Banyana and Lumina, for policymakers. Use the data below to answer the question that follows.

Table: Selected indicators for Banyana and Lumina (most recent year)
Banyana: GDP per capita PPP = £2,400; HDI = 0.56; Poverty rate (national) = 38%; Share of exports in GDP = 35%; Top export concentration on single commodity = 62%.
Lumina: GDP per capita PPP = £3,800; HDI = 0.68; Poverty rate (national) = 18%; Share of exports in GDP = 20%; Top export concentration on single commodity = 18%.

Analyse how the data show differences in development and export structure between Banyana and Lumina, and explain two likely implications for development policy. Use the data in your answer.

(Total for Question 8 is 9 marks)

Mark scheme · 2.28 Growth and Development: Barriers and Strategies in Poorer Economies

Question 1

method: GDP per capita = 48,000 million / 12.0 million	**M1**
= £4,000	**A1**
states limitation: e.g. it is an average and hides income distribution	**M1**
link to development: explains that rising GDP per capita could coincide with rising inequality so living standards for many may not improve	**A1**

Answer: GDP per capita = £4,000. Limitation: it is an average and hides distribution, so it may not reflect the living standards of most citizens.

Question 2

states a limitation, e.g. it ignores income distribution, non-market activity, environmental degradation or informal sector size	**B1**
gives a brief illustrative example, e.g. two countries with the same GDP per capita may have very different poverty rates or HDI scores	**B1**

Answer: Limitation: GDP per capita is an average and ignores distribution. Example: two countries both with GDP per capita £4,000 can have very different poverty rates and public service quality.

Question 3

Level 1 Limited knowledge of trade liberalisation and alternative strategies. Little or no development of arguments. Judgement, if present, is superficial and not supported with context.	**1-5**
Level 2 Some relevant knowledge and application. Explains advantages of trade liberalisation and one or two alternatives with limited analysis. Judgement is implied but not well developed or contextualised.	**6-10**
Level 3 Good knowledge and application. Balanced analysis of trade liberalisation benefits and drawbacks, with consideration of alternatives and some evaluation. Limited contextual examples or depth of judgement.	**11-15**
Level 4 Detailed and well-developed evaluation with strong application and analysis. Considers multiple alternatives, theoretical mechanisms and practical constraints such as institutions and sequencing. Provides a sustained, contextualised judgement referring to a named developing economy and weighing evidence for different policies.	**16-25**

Indicative content:

- Arguments for trade liberalisation: access to larger markets increases export opportunities, comparative advantage can raise GDP per capita, lower consumer prices, encourage efficiency and technology transfer, attract FDI, integrate into global value chains.
- Limitations of trade liberalisation: exposure to volatile world prices for primary producers, premature deindustrialisation if domestic firms cannot compete, loss of tariff revenue, adjustment costs and short-run unemployment in protected sectors.
- Importance of complementary policies: need for infrastructure, human capital, credit and institutions to take advantage of liberalisation; sequencing matters - liberalisation without structural reforms may worsen inequality or deindustrialisation.
- Role of targeted protection and infant industry arguments: temporary tariffs or subsidies can help build manufacturing capability where market failures and learning-by-doing exist, but risk of permanent protection and rent-seeking if not well designed.
- Alternatives and complements: aid for human capital and infrastructure, FDI to bring capital and technology, debt relief to free fiscal space, microfinance to support grassroots entrepreneurship, institutional reform to reduce corruption and improve governance.
- Empirical and contextual factors: a policy effective in one country may fail in another due to institutions, infrastructure, geography, factor endowments and state capacity. Use a named developing economy, for example Ethiopia, Bangladesh, Ghana or Vietnam, to illustrate how sequencing, targeted industrial policy, and exports combined have worked differently.
- Evaluation points: short-run versus long-run trade-offs, who gains and who loses, magnitude and timing of effects, political economy constraints, measurement of development beyond GDP, and the case for policy mixes rather than a single 'most effective' strategy.
- Supported judgement example: conclude that trade liberalisation can be highly effective when accompanied by strong institutions, investment in human capital and infrastructure, and policies to manage adjustment, but is unlikely to be the single most effective strategy in isolation for many poorer economies.

Question 4

identifies that dependence on a small range of primary commodity exports makes export revenues vulnerable to price volatility on world markets	**M1**
explains that volatile export earnings lead to unstable government revenue and private incomes, making planning and investment difficult	**A1**
identifies the risk of the Prebisch-Singer type problem, where long-run terms of trade for primary goods may deteriorate relative to manufactured goods	**M1**
explains that deteriorating terms of trade reduce real purchasing power and make it harder to finance imports of capital goods needed for industrialisation	**A1**

Answer: Primary product dependency causes export revenue volatility and risks long-term adverse terms of trade, creating unstable government income and reducing capacity to import capital goods for development.

Question 5

method: (408 - 480) / 480 x 100	**M1**
= -15.0%, awrt a 15% fall	**A1**
states the sign and unit, e.g. a fall of 15% in export earnings	**B1**
brief interpretation linking to development, e.g. reduced foreign currency earnings make it harder to import capital goods	**B1**

Answer: A fall of 15.0% in coffee export earnings, which reduces foreign currency available for imports and development investment.

Question 6

identifies that corruption raises transaction costs and deters both domestic and foreign investment	**M1**
explains that investors face higher costs and uncertainty, reducing FDI and private capital formation needed for growth	**A1**
identifies that weak institutions lead to poor public-service delivery, e.g. education and health funds diverted or poorly managed	**M1**
explains that this reduces human capital accumulation and long-term productivity, hindering development	**A1**
provides a concrete example or consequence, e.g. road projects delayed by bribery, or teachers not paid leading to absenteeism	**B1**

Answer: Corruption deters investment by raising costs and uncertainty; weak institutions mismanage public services, reducing human capital. Example: bribery delays infrastructure projects and undercuts school attendance.

Question 7

identifies that the World Bank focuses on long-term development finance such as loans and grants for projects in infrastructure, education and health	**M1**
explains that World Bank funding is intended to raise productive capacity and human capital, supporting long-run growth	**A1**
identifies that the IMF focuses on short-term balance of payments support and macroeconomic stability, often providing conditional lending to stabilise currencies and reserves	**M1**
explains that IMF programmes may require fiscal or monetary adjustments to restore confidence and stabilise external accounts	**A1**
identifies a coordination role where the IMF supports macro stability while the World Bank funds structural projects	**M1**
explains the trade-off: IMF stabilisation can impose short-term austerity costs, while World Bank projects take time to raise growth, so sequencing and policy design are important	**A1**

Answer: The World Bank provides long-term project finance for infrastructure and human capital to raise productive capacity; the IMF supplies short-term balance of payments support and macro stabilisation often with conditional policy changes. Coordination matters because stabilisation and investment have different time horizons and trade-offs.

Question 8

Level 1 Offers basic statements about one or two data points with limited linkage to development. Limited use of the table; analysis is brief and not well developed. **1-3**

Level 2 Makes clear comparisons using several data points, explains differences in development and export structure with some reasoning. Begins to draw implications for policy, but evaluation and depth are limited. **4-6**

Level 3 Provides a focused analysis that uses multiple data points from the table to compare development levels and export structures, and explains two plausible implications for development policy with clear linkage to the data. Demonstrates good application and analysis. **7-9**

Indicative content:

- Comparative statements: Lumina has higher GDP per capita (£3,800 v £2,400) and higher HDI (0.68 v 0.56), and a much lower poverty rate (18% v 38%), indicating Lumina is more developed on both income and non-income measures.
- Export structure differences: Banyana has a very high export concentration in a single commodity (62%) and higher share of exports in GDP (35% v 20%), suggesting heavy reliance on one primary commodity and greater external exposure.
- Implication 1: Banyana's export concentration and vulnerability mean policy should prioritise diversification, value-added processing and stabilisation mechanisms, such as buffering sovereign wealth funds or promoting agriprocessing industries.
- Implication 2: Higher poverty and lower HDI in Banyana imply need for stronger human capital investment in education and health, and targeted social protection to reduce poverty and support inclusive growth.
- Link to trade and shock vulnerability: a fall in the price of Banyana's main commodity would sharply reduce national income and government revenue, unlike Lumina which is more diversified.
- Policy implication 3: Lumina may focus on sustaining productivity and improving institutional quality; Banyana may require external support such as concessional finance or technical assistance for diversification.