1. Internal balance refers to:

   ☐ a balanced government budget only

   ☐ low inflation and low unemployment at home

   ☐ a fixed exchange rate

   ☐ a current-account surplus

2. If 1 pound = 1.25 dollars, how many dollars is 400 pounds?

   _____

3. Economic development differs from economic growth because it focuses on:

   ☐ only the value of exports

   ☐ only the level of real GDP

   ☐ only the size of the money supply

   ☐ living standards and quality of life, not just output

4. Many developing economies rely heavily on the:

   ☐ tourism sector only

   ☐ high-tech sector

   ☐ primary sector (agriculture and raw materials)

   ☐ financial services sector

5. Foreign direct investment by multinationals can bring a developing country:

   ☐ capital, jobs and technology

   ☐ a smaller workforce

   ☐ lower exports

   ☐ only debt

6. Which is a key driver of globalisation?

   ☐ banning multinationals

   ☐ rising tariffs

   ☐ closing borders

   ☐ falling transport and communication costs

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☐ True ☐ False

8. A managed float is an exchange rate fixed permanently by the central bank.

   ☐ True ☐ False

9. Economic growth can occur without development if the gains do not reach most people.

   ☐ True ☐ False

10. In a poverty trap, low incomes lead to low saving and investment, keeping incomes low.

    ☐ True ☐ False

1. **low inflation and low unemployment at home**

   Internal balance = stable prices and full employment; external balance = a sustainable BoP.

2. **500**

   $400 \times 1.25 = 500$ dollars.

3. **living standards and quality of life, not just output**

   Development is about welfare (health, education, choices), not just more output.

4. **primary sector (agriculture and raw materials)**

   Primary-product dependence (with volatile prices) is a common feature.

5. **capital, jobs and technology**

   FDI brings capital, employment and know-how – though profits may flow abroad.

6. **falling transport and communication costs**

   Cheaper transport/communication, trade liberalisation and MNCs drive integration.

7. **False**

   False. Higher demand creates jobs but also raises spending on imports, which worsens the current account. That is the internal–external balance conflict.

8. **False**

   False. That would be a fixed exchange rate. A managed float is mostly set by the market, with occasional central-bank intervention to limit large swings.

9. **True**

   If growth is captured by a few, average welfare may barely improve.

10. **True**

    The self-reinforcing cycle that makes development hard to start.

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