

Exercise walk-through

8.1

Development strategies: introductory reasoning

Pearson Edexcel · International A-Level · Economics

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The method

Method — Worked example

Growth describes an increase in real output; development also concerns health, education, capabilities and living conditions. Absolute poverty concerns meeting basic needs, while relative poverty compares resources with a society's usual standard. Inequality describes distribution. Average real income can rise while some people remain poor, so choose a measure suited to the claim.

Finance can enable investment but repayment, access, risk and currency terms matter. Aid can fund useful services or emergency relief; its effects depend on the recipient's needs, coordination, conditions and ability to maintain provision. Debt can finance future capacity, but servicing it uses resources and foreign-currency obligations can become harder after depreciation. Institutions affect dependable implementation, rights and accountability; a name or single index does not prove a project will work.

Sustainable strategies compare present benefits with maintenance, distribution and environmental consequences. These are supported introductory mechanisms; complete

Method — Worked example

development models, prescribed applications and detailed criteria remain in the held IA2 queue.

A fictional district has a 60-million-unit budget. A road costs 45 million and is expected to connect 200 households to markets. A clinic costs 40 million and is expected to reach 150 households. A report recommends the road because its cost per household is lower. Evaluate the decision.

Road cost per household = $45 \text{ million} / 200 = 0.225 \text{ million units/household}$. Clinic cost per household = $40 \text{ million} / 150 = \text{approximately } 0.267 \text{ million units/household}$.

Both together cost $45 + 40 = 85 \text{ million}$, exceeding the budget by 25 million. The ratios measure different benefits, so they do not establish that the road is the better development choice. Check the main bottleneck, expected health and market effects, maintenance, access for disadvantaged households and environmental impacts.

Compare feasible scaled options and financing terms; do not assume promised reach is actual reach.

Exercise 2.1

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Exercise 3.1

3.1 A foreign-currency loan can fund both projects, but a depreciation increases domestic debt-service cost. Propose a qualified decision and an evidence-based review. [3]

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3.1 Compare repayment and currency risk with credible project benefits and continuing service costs. Funding both now may displace later health, education or maintenance spending if debt service rises. Seek affordable terms or a feasible phased plan, examining distribution and environmental effects with affected people. Monitor actual access, health or market outcomes and repayment burden, not GDP or construction completion alone. A conditional choice explains the binding bottleneck and what evidence would change it; this case does not certify a real development programme. Authored points for judgement, case-linked reasoning and qualification. Accept justified alternatives.