



Edexcel A - A Level Economics

Theme 4 – A global perspective

4.3 Emerging and developing economies

Worked Examples

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- Emerging and developing economies

4.3 Emerging and developing economies

Exam Style Question 1

In 2018, the International Monetary Fund (IMF) lent Argentina \$57 billion as part of a bailout package to help prevent the country's government defaulting on its debts. This financial crisis also caused significant capital flight out of Argentina's economy.

(Source adapted from: <https://www.ft.com/content/737b48bc-c1c9-11e8-95b1-d36dfef1b89a>)

- (a) Explain the role of the IMF in providing financial assistance to countries such as Argentina. [4]
- (b) Which **one** of the following is most likely to happen to Argentina's currency value as a result of capital flight, assuming it is operating with a floating exchange rate system? [1]
- A Appreciation
 - B Depreciation
 - C Devaluation
 - D Revaluation

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Exam Style Question 1

Answer:

(a) Explain the role of the IMF in providing financial assistance to countries such as Argentina. [4 marks]

The **IMF** provides temporary **loans and credit** to countries facing financial crises to help them avoid deep **recession** and restore **economic stability**. [2]

In 2018, the IMF lent **\$57 billion to Argentina** to help the country avoid defaulting on its debts. This money helped to **stabilise Argentina's currency** and allowed the government to continue **repaying its debt**. [1]

Countries like Argentina turn to the IMF because they are often seen as too **risky** by international investors. The IMF also usually requires the country to make **economic reforms** as a condition for receiving help, to improve long-term stability. [1]

(b) Which one of the following is most likely to happen to Argentina's currency value as a result of capital flight? [1 mark]

Answer: B – Depreciation [1]

Explanation:

Capital flight means people and businesses are quickly moving their money out of the country—usually because they're worried about the economy. If lots of people sell the local currency to buy foreign ones, the **supply of the local currency increases**, and demand drops. Under a **floating exchange rate**, this causes the **value of the currency to fall or depreciate**.

So, Argentina's currency is most likely to **depreciate** due to capital flight.

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Exam Style Question 2

The table shows the selected economic data in 2014 for Vietnam and India.

	Gross National Income per capita (2011 PPPs)	Human Development Index (HDI) value
Vietnam	5 092	0.666
India	5 497	0.609

(Source: www.hdr.undp.org/en/composite/HDI)

(a) Which **one** of the following statements can be deduced from the data in table? [1]

- A Average incomes are higher in India than in Vietnam.
- B Levels of absolute poverty are higher in Vietnam.
- C Life expectancy is higher in India than in Vietnam.
- D Provision of healthcare and education is less effective in Vietnam than in India.

(b) With reference to the data provided, explain **two** limitations of using the HDI to compare levels of development between countries and over time. [4]



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Exam Style Question 2

Answer:

(a) Which one of the following statements can be deduced from the data in the table? [1 mark]

Answer: A – Average incomes are higher in India than in Vietnam.

Why?

Because India's **Gross National Income (GNI) per capita** is **\$5497**, which is higher than Vietnam's **\$5092**. That's a direct fact from the table.

(b) Explain two limitations of using the HDI to compare levels of development between countries and over time. [4 marks]

One limitation of the **HDI** is that it **ignores income distribution**. [1] For example, India has a higher GNI per capita (\$5,497) than Vietnam (\$5,092), but a lower HDI value (0.609 compared to 0.666). This suggests that income in India might be **unevenly distributed**, meaning the average doesn't reflect how most people actually live. [1]

Another limitation is that HDI **doesn't include other important quality-of-life factors** such as **democracy, human rights, or gender equality**. [1] Two countries could have similar HDI scores but very different living conditions in reality. For instance, Vietnam might have better **healthcare or education quality**, which isn't directly shown in the HDI figure. [1]

Please see the '4.3 Emerging and Developing Economies Revision Notes' pack for detailed notes.

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