

## EC1B5 | Chapter 8

# Why Isn't the Whole World Developed?

### Additional Practice Questions:

#### **Book Question 3**

In 1974, Cyprus got divided into two parts, the Northern part that got invaded by Turkey and the Southern part that is internationally recognized and a member of the European Union.

The Southern or the Greek Cypriot part has a free-market economy mostly based on services, especially the tourism industry, it was affected by the Greek crisis but has since recovered at a fast pace registering a 4 percent growth rate in 2018 and continuing at a healthy pace. Whereas, the Turkish Cypriot part, which also has a big services sector but depends on agriculture as well, has a GDP per capita around half of the Southern part and gets extensive financial help from Turkey. Based on the information given in the question and your own research, do you think the case of Cyprus is similar to the case of Germany and of Korea when each of these countries got divided?

#### **Book Question 3**

Suppose the country of Temria has an abundance of oil and gas. These natural resources were discovered about 40 years ago. Before this discovery was made, the country was a middle-income country with relatively productive industrial and service sectors. However, with exceptional profits due to its efficient extraction of oil and gas, the country gained access to a huge amount of capital. Since Temria is a democracy where people prefer planning ahead, this capital was reinvested into improving education and research and development. Now, due to sound planning, Temria is one of the richest countries in the world. Using the information given, distinguish between the fundamental and proximate causes of prosperity (or its absence) in Temria.

#### **Book Question 4**

Look at the following map of Nogales, a twin city that is divided by the U.S. border.



One part of Nogales lies in the United States, in Arizona, and the other part lies in Sonora, Mexico. Life in Nogales, Mexico is very different from life in Nogales, Arizona. The average income in Nogales, Mexico is about one-third the average income in Nogales, Arizona. Education levels, life expectancy, and health conditions are better in Nogales, Arizona than in Nogales, Mexico. Unlike the city in Arizona, Nogales in Mexico has only recently adopted political reforms, bringing it closer to functioning as a democracy. Crime rates are also lower in Nogales, Arizona than in Nogales, Mexico. Since both cities are located so close to each other, they share similar geographical conditions and climate. The inhabitants of both cities also share a common ancestry and enjoy the same types of food and music. Based on this information and your own research, what factors do you think can explain why Nogales, Arizona is so much more prosperous than Nogales, Mexico?

**Book Question 10**

The process of Schumpeter's creative destruction creates winners and losers in economies. What are some of the options to limit the negative effects on the losers? Why is it imperative to minimize these negative effects?