

Chapter 11 Questions

Knowledge and Understanding

Question 1 a) and b) Imagine that a developed Western nation is facing a period of economic decline. What might this government tend to do if it believes in:

a) Keynesian economics?

If the government believes in Keynesian economics, it would increase its spending in an effort to reduce unemployment, which in turn would stimulate the economy. Spending could fund public works such as dam building and highway construction (infrastructure development), or fund public services, e.g., education (even if it created a budget deficit).

b) neo-liberal economics?

If the government believes in neo-liberal economics, it would try to stimulate the economy by reducing taxes so that companies would have more money for investment, and citizens would have more money to purchase products. The government or central bank would also use monetary policy to try to decrease interest rates so that companies and individuals could borrow money for new projects.

Question 2 a) Using Rostow's work as an example, define what is meant by a "model."

A model is a simplified representation of reality that allows a person to test an idea against what is observed in the real world. Rostow created a five-stage model of economic development that can be tested against what really happens to countries as they progress economically. The five stages are actually a simplification of a complex process, and enable a better understanding of economic development.

Question 2 b) What are the advantages and disadvantages of using a model to describe a complex reality?

Advantages

- a model simplifies reality to make a complex process easier to understand
- a model can be compared to a real situation to discover if the real situation has missed something in its development or has developed in new and different ways not present in the model.
- a model offers the opportunity to experiment with facts, figures, events, and timelines in ways that can't be done in reality, e.g., computer simulations
- a model can help predict possible outcomes for a real situation

Disadvantages

- if the assumptions on which the model is based are incorrect, then the model will lead to incorrect conclusions
- the accuracy of the model is dependent on the accuracy of the data
- it is sometimes difficult to formulate the right balance between a model's simplicity (which could lead to inaccuracy) and its complexity (which could make conclusions difficult to draw)

Question 3 Briefly summarize, in your own words, the impacts that colonialism has had on former colonies. For each impact, suggest why, after 50 or more years of independence, the effects of colonialism are still causing problems in these countries.

See the handout on "Impacts and Lasting Effects of Colonialism."