

Final.
Name: _____

Spring 2007
Economics of Development

Each question is worth the total number of points in parentheses; sub-questions are allocated an equal share of the total points per question. Final is worth 30 points.

1) True or False (5 points)

Statement	Circle whether the statement is true or false	
There is a negative correlation between urbanization rates and per capita incomes when we compare across all countries in the world.	True	False
Over-nutrition is a kind of malnutrition.	True	False
Psacharopoulos reported the internal rate of return to primary education in sub-Saharan Africa is greater than the internal rate of return to primary education in developed countries.	True	False
The majority of the population in developing countries currently lives in urban areas.	True	False
The Gini coefficient reports the number of people living below a \$1 per person per day poverty line.	True	False
“Where is the Wealth of Nations” reports that the share of wealth from produced capital is less than 20% for all (low, middle, and high) country income categories.	True	False
The percent of the labor force in agriculture tends to be higher than the share of agriculture in GDP for developing countries	True	False
The typical informal sector firm tends to be ‘medium sized’, employing 10-25 workers on average.	True	False
Urban giantism describes the phenomena that the largest city in developing countries tends to hold a large share of the national population.	True	False
The evidence from the WHO presented in class reported that malaria is a contributing factor to over half the deaths of children under five in developing countries.	True	False

2) Poverty measures. (3 points)

Person number	Income per day
1	\$0.15
2	\$0.30
3	\$0.70
4	\$0.95
5	\$1.01
6	\$9.20
7	\$12.89
8	\$14.00
9	\$15.35
10	\$20.65

TOTAL INCOME \$75.20

a) What is the headcount (H) and the headcount index (HI) of absolute poverty if the absolute poverty line is defined as \$1 per person per day?

b) If we take ten cents from person 1 and give it to person 4, describe how this impacts your answer to (a) and discuss the issue this raises about the use of H and HI as poverty measures.

c) What is the Normalized Average Poverty Gap and what is the Normalized Average Income Shortfall if the absolute poverty line is defined as \$1.00 per person per day?

3) Population issues 1. (3 points).

a) Contrast a typical developing country's population pyramid with a typical developed country's population pyramid by drawing an example of each.

b) Describe the implications for funding 1) education for youth and 2) pensions for the elderly depending on whether you have a developed country's population structure or a developing country's population structure.

c) Use your answer in (b) to support or contest the assertion that the fundamental population issue is the distribution of the world's population, not the total size of the world's population.

4) Population issues 2. (4 points)

a) Draw a figure illustrating the demographic transition and note the different stages.

b) Explain why the one rate you drew in (a) decreases before the other.

c) What is meant by 'the replacement rate' in terms of population issues?

d) What is meant by the 'hidden momentum of population growth'?

5) Inequality. (3 points)

a) Draw a Lorenz curve.

b) Draw another Lorenz curve that has a more unequal distribution than the one in (a).

c) Illustrate how to compute a coefficient of inequality for each of these two Lorenz curves, and explain why the coefficient in (b) will be greater than (a).

6) Kuznets curves. (4 points)

a) Draw the original Kuznets curve and label everything clearly.

b) Explain the logic behind the shape of this curve.

c) Explain why using cross country data instead of country data over time may lead to a misinterpretation of the shape of this curve.

d) Explain how an 'environmental Kuznet's curve' applies this basic idea to a different context.

7) Poverty. (2 points)

a) Summarize Krishna's main findings with regard to the causes of falling into poverty in his *World Development* article.

b) Contrast income poverty to asset poverty.

8) Ours is to reason why. (3 points)

a) Provide three arguments why we should allocate more development funds to increasing girls' access to primary education.

b) Provide three arguments why we should allocate more development funds to improving the agricultural sector in developing countries.

c) Provide three arguments why reducing poverty and increasing growth are mutually consistent objectives.

9) Health. (2 points)

a) What is anthropometric assessment, provide a specific example of an anthropometric measure, and describe what this measure assesses?

b) What is stunting, and how does it relate to the empirical relationship between adult height and the wages the adult receives we discussed in class?

10) Environment and Development (1 point)

	Savings rate	Physical capital depreciation rate	Natural capital depletion and degradation rate
McPeakistan	12	7	10

a) What is the adjusted net savings rate for McPeakistan, and in assessing whether this is a 'sustainable' or 'unsustainable' rate, are you relying on the concept of weak sustainability or strong sustainability? Explain.

Extra Credit (1 point, no partial credit)

What are the four principles the Gini coefficient satisfies? Note and describe each one.