Final. Spring 2012

Name:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ 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) Inequality. (3 points)

a) Draw a Lorenz curve for the distribution of income in a country. Be sure to label the axes.

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

c) Describe how to compute the Gini coefficient for each of these two Lorenz curves, and argue whether the coefficient in (b) will be greater than (a) or vice versa.

2) True or False (3 points)

|  |  |
| --- | --- |
| Statement | Circle whether the statement is true or false |
| The proportion of the World’s population living in rural areas has been steadily increasing over the past 20 years. | True False |
| The majority of people in the developing world’s labor force are employed in agriculture.  | True False |
| The majority of the population in developing countries currently lives in rural areas. | True False |
| “Where Is the Wealth of Nations” reports wealthier countries have a larger share of wealth accounted for as natural capital than do poorer countries. | True False |
| Psacharopoulos reported the private internal rate of return to primary education in sub-Saharan Africa was lower than a standard discount rate of 10%. | True False |
| The world population growth rate has slowed since reaching a peak in 1850-1900. | True False |
| Current estimates of global population are in the 11-11.2 billion people range. | True False |
| All countries in the world are currently experiencing positive population growth rates. | True False |
| The United States is the largest donor of official development assistance of any country in the world. | True False |
| The United States allocates over 2% of GNP to official development assistance. | True False |
| Publishing a Poverty Reduction Strategy Paper with support from the World Bank is one of the components Williamson identifies as part of the ‘Washington Consensus’. | True False |
| The informal sector is the unorganized, unregulated, unregistered sector of the economy | True False |
| Urban giantism describes the phenomena that the largest city in developing countries tends to hold the largest share of the national population who suffer from overnutrition. | True False |
| The evidence from the WHO presented in class reported that malnutrition is a contributing factor to over half the deaths of children under five in developing countries. | True False |
| A Disability Adjusted Life Year is the average life expectancy for a country. | True False |

3) Hidden momentum of population growth (3 points)

a) Fill in the following tables. Fr stands for the total fertility rate of the associated age cohort during their reproductive years. Assume all future youth cohorts will have a total fertility rate of 2 in their reproductive years. Total population is for males and females; assume 50% of the population is female. The number in each cell of the table in rows a,b, and c should describe the number of females in each cohort in a given generation.

Country A

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Generation 1 | Generation 2 | Generation 3 | Generation 4 |
| a.Pre-reproductive cohort, Fr=2 |  |  |  |  |
| b. Reproductive cohort , Fr=2 |  |  |  |  |
| c.Post reproductive cohort, Fr=3 | 500 |  |  |  |
| *Female Population* | *2000* |  |  |  |
| *Total population* | *4000* |  |  |  |

Country B

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Generation 1 | Generation 2 | Generation 3 | Generation 4 |
| a.Pre-reproductive cohort, Fr=2 |  |  |  |  |
| b.Reproductive cohort , Fr=4 |  |  |  |  |
| c.Post reproductive cohort, Fr=6 | 200 |  |  |  |
| *Female Population* | *2000* |  |  |  |
| *Total population* | *4000* |  |  |  |

Describe how your findings on total population by the fourth generation illustrate the concept of **the hidden momentum of population growth**.

b) What is meant by a ‘bottom heavy’ population pyramid and how does that relate to what you found in part a?

4) Poverty measures. (3 points)

|  |  |
| --- | --- |
| Person number | Income per day |
| 1 | $0.10  |
| 2 | $0.40  |
| 3 | $0.55  |
| 4 | $0.80  |
| 5 | $0.95  |
| 6 | $1.05  |
| 7 | $2.50  |
| 8 | $3.90  |
| 9 | $4.50  |
| 10 | $15.25  |

TOTAL INCOME $30.00

a) What is the total poverty gap, the average poverty gap, the average income shortfall, and the normalized average income shortfall if the poverty line is defined as $1 per person per day?

TPG=

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APG=

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AIS=

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NAIS=

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

b) If we take $0.10 from person 6 and give it to person 1, is there any change to the headcount index? Is there any change in the total poverty gap?

c) What share of total income is held by the highest quintile and what share is held by the lowest quintile?

Highest=

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Lowest=

5) Debating points (3 points)

a) Provide two arguments why a ban on child labor in a developing country is potentially counterproductive if our goal is to improve the well being of child laborers in that developing country.

b) Provide two arguments why the existence of an informal sector is harmful to the economy of a developing country.

c. In class, we discussed reasons for addressing gender inequality in education. You are briefing a developing country policy maker about increasing primary enrollment of girls. Identify (one sentence each) four positive outcomes that will occur if the country increases the number of girls receiving primary education.

6) Health (3 points).

a) Contrast wasting with stunting, noting what anthropometric measure is used to identify each condition.

b) Explain why we found a positive relationship between adult height and wage rates in the graph we considered in class for males in Brazil.

1. From 1990 to 2007, has the under-five mortality rate worldwide increased, decreased, or stayed the same? Does the worldwide trend hold for all developing countries?

7) Kuznets curves. (3 points)

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

1. Explain the logic behind the shape of this curve.
2. Explain how an ‘environmental Kuznet’s curve’ applies this basic idea to a different context.

8) Agriculture. (3 points)

a) Describe the three main types of agrarian systems found in the developing world and note in which geographic region each one is most commonly found.

b) Chose one of these agrarian systems. Provide two reasons why a land reform program might contribute to improved productivity in this agrarian system.

9) Demographic Transition. (3 points)

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

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

c) What is meant by ‘the replacement rate’, what kind of rate is it, and what is the usual value associated with a replacement rate?

1. Long term poverty dynamics.(3 points)
2. Contrast the concept of asset poverty with the concept of income poverty.
3. Describe a policy that could be used to reduce asset poverty.
4. Describe a policy that could be used to reduce income poverty.

Extra Credit (get them all, get 1 bonus point).

Fun with Acronyms: Write out what the acronym stands for

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| --- | --- |
| PRGF |  |
| IFPRI |  |
| CGIAR |  |
| LICUS |  |
| TFP |  |