Final. Spring 2016

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) 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. Describe a way to increase agricultural production for this system.

2) 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.

3) 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) Explain why there is concern that a country could get stuck in stage 2 of the transition.

4) 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 equal 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.

5) 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 increasing over the past 20 years. | True False |
| The % of GDP derived from the agricultural sector is higher in Sub-Saharan Africa compared to other regions of the world.  | True False |
| The mid-upper arm circumference is used to monitor undernutrition among adults. | 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 higher than a standard discount rate of 10%. | True False |
| The world population growth rate has slowed since reaching a peak in 1920-1950. | True False |
| Current estimates of global population are in the 21-21.2 billion range. | True False |
| Not 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 3% of GNI to official development assistance. | True False |
| Williamson identified broadening the tax base and lowering tax rates 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 a very large share of the national population. | 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 |
| Heart disease is the leading cause of mortality and the leading cause of DALY worldwide. | True False |

6) 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 | 5000 |  |  |  |
| *Female Population* | *20000* |  |  |  |
| *Total population* | *40000* |  |  |  |

Country B

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Generation 1 | Generation 2 | Generation 3 | Generation 4 |
| a.Pre-reproductive cohort, Fr=2 |  |  |  |  |
| b.Reproductive cohort , Fr=2.66667 |  |  |  |  |
| c.Post reproductive cohort, Fr=6 | 2500 |  |  |  |
| *Female Population* | *20000* |  |  |  |
| *Total population* | *40000* |  |  |  |

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?

7) Poverty measures. (3 points)

|  |  |
| --- | --- |
| Person number | Income per day |
| 1 | $0.10  |
| 2 | $0.35  |
| 3 | $0.50  |
| 4 | $0.80  |
| 5 | $0.90  |
| 6 | $1.20  |
| 7 | $2.00  |
| 8 | $3.90  |
| 9 | $6.00  |
| 10 | $15.25  |

TOTAL INCOME $31.00

a) What is the headcount, the headcount index, 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 $1.25 per person per day?

H=

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NAIS=

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b) If we take $1.00 from person 7 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 (before the redistribution of part b – go to the table above to calculate)?

Highest=

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Lowest=

8) Migration Models (3 points)

a) Describe the Harris-Todaro model of migration.

b) Explain how this model explains why you have continued migration to urban areas in spite of high urban unemployment.

c) Identify two policy implications of the model for a government which desires to reduce urban unemployment rates.

9) Education (3 points)

|  |  |
| --- | --- |
|  | Circle whether the statement is true or false |
| The ‘missing women mystery’ asks why the share of primary school teachers who are female is lower than that of males. | True False |
| In general, as the average years of education in a developing country goes up, the education Gini also increases. | True False |
| The rates of return to education calculations we discussed in class include the opportunity cost of wages that could have been earned during the years a student is at school. | True False |
| The primary school enrollment ratio has declined from 1970 to now in Sub Saharan Africa due to population growing more rapidly that spaces in classrooms have been provided. | True False |
| Achieving universal primary education was one of the Millennium Development Goals. | True False |
| A country’s educational attainment is included as a component of the Human Development index for that country. | True False |

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. What does Krishna mean in the title of his article “For Reducing Poverty Faster: Target Reasons Before People”

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

Fun with Acronyms: Write out what the acronym stands for

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| --- | --- |
| PRGF |  |
| NARS |  |
| LICUS |  |
| HIPC |  |
| TFP |  |