

CENTRAL UNIVERSITY



RE-SIT EXAMINATION: 2016/2017

FACULTY OF ARTS AND SOCIAL SCIENCES

DEPARTMENT OF ECONOMICS

ECON 305 (3 CREDITS)

DEVELOPMENT ECONOMICS I

LEVEL 300

OCTOBER, 2016

DURATION: 2 HOURS

STUDENT ID No.....

INSTRUCTIONS

ANSWER ALL QUESTIONS

**DO NOT TURN OVER THIS PAGE UNTIL YOU HAVE BEEN TOLD TO DO SO BY
THE INVIGILATOR**

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SECTION A (Compulsory Multiple Choice Questions - 40 Marks)

Write down the letter (a-e) corresponding to the correct answer you have chosen.

1. Which of the following characteristics are most likely found in developing countries?
(A) High population growth rates.
(B) Large number of people living in poverty.
(C) Very traditional methods of agricultural production.
(D) all of the above

2. Tuvalu is composed of 9 coral atolls along a 360-mile chain in Polynesia. The country gained independence in 1978. The former Ellice Islands are home to 9,700 people. If GNP of Tuvalu was \$300 million in 2005, GNP per capita would have been.
(A) $97000 \times (1978 / 2005)$
(B) $300 / 3600$
(C) $300\,000\,000 / 9700$
(D) 32.333

3. Which of following is NOT true about the role of agriculture in economic development?
(A) Provides labour for non-agricultural sector
(B) Provide market for non-agricultural commodities
(C) Source of industrial raw materials
(D) Largest employer in most LDCs
(E) None of the above

4. One classification of development levels used by the World Bank divides countries into three groups on the basis of GNP per capita. They are
(A) NIC, OPEC and G7
(B) Low-income, middle-income and high-income
(C) Southeast, Northeast and Southwest
(D) (111) Asia, America and Europe

5. The World Bank's GNP per capita classification for low-income, middle-income and high-income countries respectively is
(A) Less than \$900, \$900-\$9,000 and more than \$9,000
(B) Less than \$5,000, \$5,000-\$15,000 and more than \$15,000
(C) Less than \$100, \$100-\$1,000 and more than \$1,000
(D) Less than \$50,000, \$50,000-\$150,000 and more than \$150,000

6. Dependency ratio is the ratio of _____
(A) Children to Adults in the population
(B) Unemployed to workers' population
(C) Foreign debt to gross national product
(D) Non-working age group to working age group
(E) Disabled age group to non-disable age group

7. The Physical Quality of Life Index (PQLI) combines three indicators. They are

- (A) Infant mortality, life expectancy and adult literacy rate
- (B) Crime rate, clean environment and quality of housing
- (C) Air pollution rate, water pollution rate and sanitation
- (D) Health, education and environment

8. According to Smith (1776), the three most important groups of society that can save in descending order of significance are:

- (A) Landlords, merchants, and manufacturers
- (B) Merchants, Landlords, and manufacturers
- (C) Landlords, manufacturers, and merchants
- (D) Manufacturer, merchants, and landlords
- (E) Manufacturers, landlords, and merchants

9. One of the key features of the Solow model is _____

- (A) Technical level is constant over time
- (B) Savings rate changes over time
- (C) Increasing returns to scale
- (D) Diminishing returns
- (E) An unstable long-run equilibrium

10. Solow model and the Harrod-Domar model have the common feature that both models _____

- (A) Assume diminishing returns
- (B) Assume increasing
- (C) Short-run model
- (D) Long-run model
- (E) Assume fixed savings rate

11. Two countries that still rely on the Soviet communist model of development are

- (A) Ghana and Nigeria
- (B) Poland and Germany
- (C) Cuba and North Korea
- (D) China and Hong Kong

12. According to Lewis's model, the dual economy grows only when

- (A) The modern sector increases its output share relative to the traditional sector
- (B) Agricultural sector uses modern equipment
- (C) Agricultural sector hires labor economically
- (D) Modern manufacturing sector is labor-intensive

13. What is gross domestic product (GDP)?

- (A) Income earned through foreign exchange
- (B) The number of dollars earned in industry

- (C) Income earned within a country's boundaries
- (D) Goods received from the nation's local residents

14. Dual economies are countries

- (A) With double capital and labor
- (B) With a modern manufacturing sector as well as traditional agriculture sector
- (C) That specialize in labor-intensive products more than capital-intensive products
- (D) With foreign-owned and domestically-owned capital

15. Criticisms of Rostow's stages of development include

- (A) The difficulty of testing the stages scientifically.
- (B) Conditions for takeoff are contradicted by historical evidence.
- (C) Characteristics of one stage are not unique to that stage.
- (D) All of the above are correct.

16. Adam Smith advocated

- I Laissez-faire.
- II The invisible hand
- III Free-trade policy
- IV Competitive markets

- (A) I and II only
- (B) II and III only
- (C) I, II and III only
- (d) I, II, III and IV

17. The essential difference between capitalism and socialism is that

- (A) Capitalism exploits the worker and socialism exploits the property owner
- (B) Capitalism relies on the market to make economic decisions and socialism uses central planning
- (C) Capitalism grows through rent seeking and socialism grows through government direction
- (D) Capitalism relies on consumer satisfaction to dictate choices and socialism relies on producer satisfaction

18. The ultimate effect of the "invisible hand" of Adam Smith is that, in a competitive economy, everyone

- (A) Benefits if each acts in his/her own interest
- (B) Will increase their profits in a free market
- (C) Should act to maximize economic growth
- (D) Should act to promote the public interest

19. Sen's welfare theory relies on

- (A) Individuals' accomplishments
- (B) Individuals' capabilities
- (C) Individuals' wealth
- (D) Individuals' education

20. Which of the following colonial policy contribute further to today's agricultural underdevelopment in Africa?

- I Colonial governments compelled farmers to grow selected crops.
- II Colonialism often changed traditional land tenure systems from individual control to communal.
- III Colonialists failed to train African agricultural scientists and managers
- IV Research and development concentrated on food production and small farmers and herders.

- (A) I and II only
 - (B) I and III only
 - (C) III and IV only
 - (D) II and III only
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SECTION B

Question 1 –

(a) Select **two developing countries** and write a **comparative analysis** of similarities among these countries. [20 Marks]

Question 2

(a) Discuss the main contribution of education to economic development in emerging economies. [10 Marks]

(b) Explain the **non-economic benefits** of education in Africa. [10 Marks]

Question 3

(a) Discuss the forms of **urban bias** in LDCs. Give **examples of policies** of urban bias (or rural bias) in your own country or another one you know well. [15 Marks]

(b) Has such a **policy bias hampered** development? [5 Marks]