

CENTRAL UNIVERSITY



END OF SECOND SEMESTER EXAMINATION: 2020/2021

FACULTY OF ARTS AND SOCIAL SCIENCES

DEPARTMENT OF ECONOMICS

ECON 326 (3 CREDITS)

DEVELOPMENT ECONOMICS II

LEVEL 300

SEPTEMBER 2021

DURATION: 3 HOURS

STUDENT ID No.....

INSTRUCTIONS

ANSWER ANY 4 (FOUR) QUESTIONS

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THE INVIGILATOR**

LECTURER: PROF ADUSEI JUMAH

ANSWER ANY 4 (FOUR) QUESTIONS

QUESTION 1

(25 marks)

- a. What is meant by structural transformation? **(3 marks)**
- b. What is the implication of Engle's law for the process of structural transformation?
(2 marks)
- c. Why does poverty in the poorest countries tend to be disproportionately concentrated in rural areas? **(4 marks)**
- d. Discuss the primary sources of risk to farmers in Ghana. **(8 marks)**
- e. What suggestions can you make to mitigate those risks? **(8 marks)**

QUESTION 2

(25 marks)

- a. What are the 3 (three) important ways in which a reduction in the birth rate could raise per capita income as argued by Coale and Hoover? **(6 marks)**
- b. Discuss the 3 (three) main arguments why "population optimists" view population growth as having the potential to increase factor productivity. **(6 marks)**
- c. Discuss any one population policy programme. **(3 marks)**
- d. Discuss the importance of population growth in economic development. **(10 marks)**

QUESTION 3

(25 marks)

- a. Why is schooling considered a merit good? **(3 marks)**
- b. Looking across levels of schooling, why are returns highest for primary schooling?
(4 marks)
- c. What are the 3 (three) probable causes of high dropout rates, as well as low and even declining school enrollment rates? **(6 marks)**
- d. What is meant by positive externality in education? **(2 marks)**
- e. Why do returns to schooling tend to be greater for developing versus developed economies. **(4 marks)**
- f. Discuss 3 (three) factors that are responsible for improved health and increases in life expectancy. **(6 marks)**

QUESTION 4**(25 marks)**

- a. What is meant by vulnerability to adverse shocks? **(2 marks)**
- b. State 4 (four) reasons why a development economist might be interested in the distribution of wealth rather than the distribution of either income or consumption. **(4 marks)**
- c. What are the political economy arguments that link inequality and growth? **(3 marks)**
- d. Apart from growth, identify any 4 (four) other factors that might cause inequality. **(4 marks)**
- e. Explain why inequality is not just a necessary effect of economic growth but a cause of growth in Lewis's surplus labour model. **(4 marks)**
- f. Differentiate between absolute poverty and relative poverty. **(8 marks)**

QUESTION 5**(25 marks)**

- a. What are the advantages of borrowing? **(10 marks)**
- b. When is a country's debt said to be sustainable? **(3 marks)**
- c. Differentiate between an illiquid debtor and an insolvent debtor. **(4 marks)**
- d. State 3 (three) indicators that are used to measure liquidity of the debtor? **(3 marks)**
- e. Differentiate between the external transfer problem and the internal transfer problem **(5 marks)**

QUESTION 6**(25 marks)**

- a. What is foreign aid? **(2 marks)**
- b. According to the DAC, what 2 (two) criteria must be met for foreign assistance to be counted as foreign aid? **(4 marks)**
- c. What are the challenges raised by aid dependency? **(4 marks)**
- d. What is the basic rationale for multilateral institutions? **(4 marks)**
- e. Why is the IMF not a development institution? **(3 marks)**
- f. Why is emergency and humanitarian aid likely to be negatively associated with growth? **(4 marks)**
- g. What conditionalities do the IMF and World Bank impose as prerequisites for funding? **(4 marks)**