

Tutorial letter 201/2/2014

Development Economics ECS3707

Semester 2

Department of Economics

IMPORTANT INFORMATION:

This tutorial letter contains important information
about the examination.

BAR CODE

Dear Student

If you have adhered to the study programme in Tutorial Letter 101, you should by now have covered most of the study material. We are sure that you will have realised that we do not ask difficult questions, but rather expect of you to develop a thorough knowledge of the study material.

This tutorial letter contains guidelines on the content required in all the questions of the two compulsory assignments. You should take note of these question guidelines and compare them with your answers once you have received your marked assignments. The answers provided are not the only correct answers to these questions and yours may have differed significantly while still earning marks.

I. ANSWERS FOR THE COMPULSORY ASSIGNMENT 01

1.	[3]	6.	[2]	11.	[3]	16.	[2]	21.	[2]	26.	[1]
2.	[4]	7.	[3]	12.	[5]	17.	[5]	22.	[5]	27.	[5]
3.	[3]	8.	[4]	13.	[5]	18.	[5]	23.	[4]	28.	[3]
4.	[5]	9.	[5]	14.	[4]	19.	[4]	24.	[1]	29.	[2]
5.	[1]	10.	[2]	15.	[1]	20.	[3]	25.	[4]	30.	[1]

II. ANSWERS FOR COMPULSORY ASSIGNMENT 03

1.	[3]	6.	[2]	11.	[4]	16.	[5]
2.	[2]	7.	[3]	12.	[5]	17.	[4]
3.	[1]	8.	[1]	13.	[4]	18.	[2]
4.	[5]	9.	[1]	14.	[4]	19.	[5]
5.	[4]	10.	[4]	15.	[5]	20.	[1]

III. GUIDELINES TO ASSIGNMENT 02 and 04

It was not required of you to submit these assignments for formal evaluation. These assignments were included to assist you in order to prepare for the examination.

IV. THE EXAMINATION

There are two sections in the examination. Section A is compulsory. Section B consists of four elective questions of which you have to do three. You can select any three (3) questions to answer Section B. PLEASE NOTE THAT THERE IS NO MULTIPLE CHOICE QUESTIONS IN THE EXAMINATION.

See two examples below of two previous examination questions.

Example: 1

Explain why the development of a solid elementary education system should take precedence over an expansion of the university education system in developing countries? (6)

The student should show an understanding of the following terms in his/her answer:

- Private benefits of education.
- The derived demand for education.
- Social benefits of education.
- Educational certification.
- Social cost of education.
- Private cost of education.

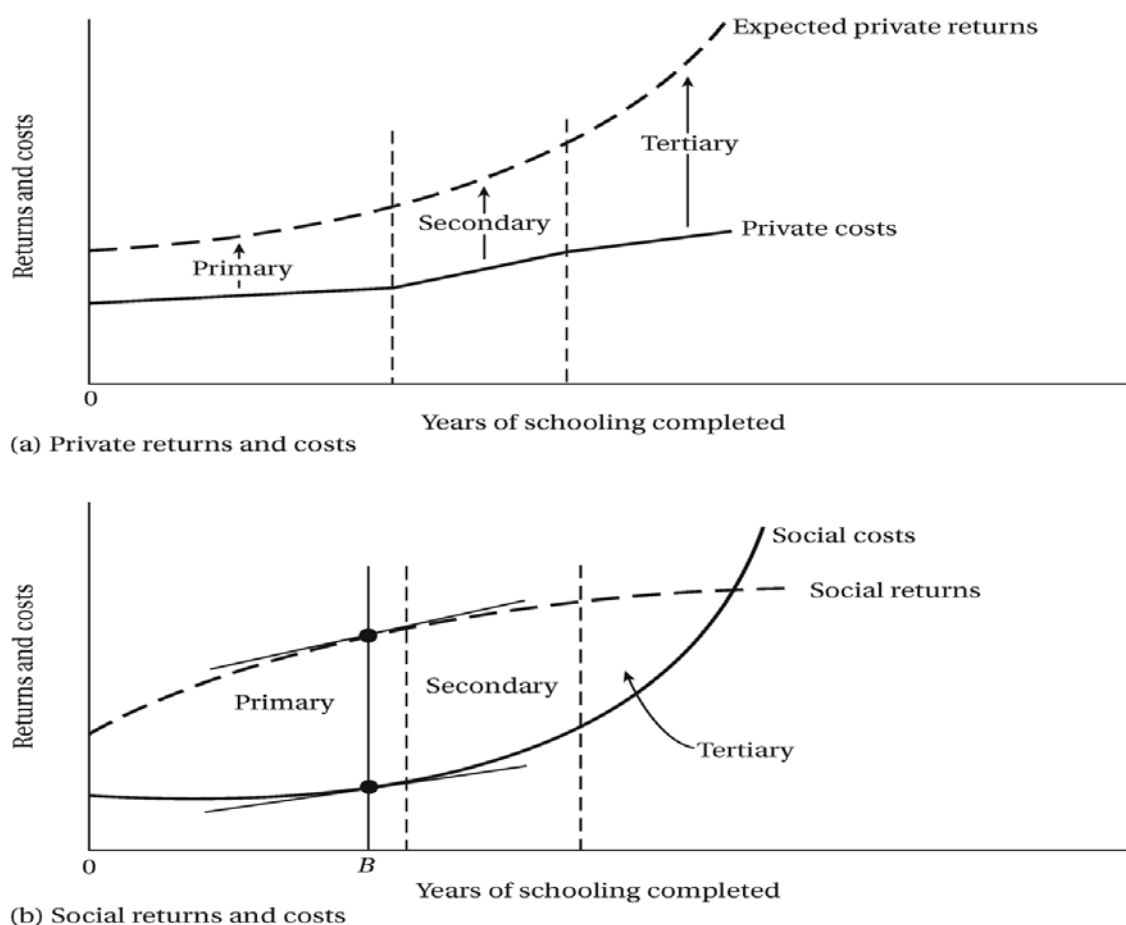


Figure 8.5 - Private versus Social benefits and cost of education
Toadro (2011:380)

The student must include the following in his/her answer:

- Social versus Private Benefits and Costs
 - Fig 8.5.
 - Compare social cost versus private cost.
 - Widening gap – stimulates demand for higher education.
 - Fig (a): divergence between private benefits and costs against years of schooling.
 - Fig (b): social benefits high for low levels – productivity; rise slowly and level off.
 - Social costs slow increase at low levels, rapid increase at higher levels (capital cost, subsidies).
 - Optimal strategy (social point of view): B years of schooling.

Example 2:

Explain and interpret the information in the table below:

(12)

	Relative HDI ranking	HDI value	Real GDP per capita	GDP rank minus rank HDI	Gini coefficient
Tanzania	162	0.430	674	+13	0.346
Nigeria	159	0.448	1 154	-1	0.437
South Africa	121	0.653	11 192	-66	0.578
Chile	38	0.859	10874	+18	0.571

Verduidelik en interpreteer die inligting in die tabel hieronder:

(12)

	Relatiewe MOI rang	MOI waarde	Reële BBP per capita	BBP rang minus rang MOI	Gini koëffisiënt
Tanzanië	162	0.430	674	+13	0.346
Nigerië	159	0.448	1 154	-1	0.437
Suid- Afrika	121	0.653	11 192	-66	0.578
Chile	38	0.859	10874	+18	0.571

Meaning and interpretation of values:

- Relative HDI ranking: Refers to the ranking of the country in terms of the HDI. In this table Chile has the highest ranking (relatively more developed than the others) and Tanzania the lowest (relative low human development).
- HDI value: The index value between 0 and 1 to show level of human development. The closer to 1, the more developed (Chile), and the closer to 0, the less developed (Tanzania). These values determine the relative ranking of the countries.
- Real GDP per capita: The share of total real income in a country per person – an average value. Highest for SA, although the country does not score the higher HDI value – compare with Chile that has a much higher HDI value.
- GDP rank minus HDI rank: Shows the difference between the ranking in terms of GDP per capita, and the ranking in terms of the HDI. A positive value means that the country is ranked higher in the HDI ranking than the GDP per capita ranking, while a negative value indicates that the country is ranked higher in terms of GDP than HDI. A positive value then implies that a country is achieving more in terms of what you can expect from a country with such a level of GDP/capita, while a negative value implies that a country is doing much less than what you will expect. In the table both Tanzania and Chile do better in terms of human development than what can be expected from their GDP/capita levels. The opposite applies to SA and Nigeria.
- Gini coefficient: the value indicates, numerically, the equality of income distribution in a country. Values closer to 1 indicate more inequality while values closer to 0 indicate less inequality. In our table we see that Tanzania has the least unequal distribution of income, and SA the most unequal.
- Other interpretations and explanations with merit will also be considered.

Use the guidelines in your study guide and the assignment guidelines how to answer questions when you study. In each section in the guide, there is a clear indication what you must be able to do after having studied the section. These guidelines were used to compile the examination paper.

Best wishes

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