

Tutorial letter 101/3/2015

Development Economics ECS3707

Semester 1 AND 2

Department of economics

IMPORTANT INFORMATION:

This document contains important information about the module.

BAR CODE

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ECS37071/1/2015

1 INTRODUCTION

Dear Student

Greetings to you and welcome to

We are pleased to welcome you to the **online Development Economics** module and hope that you will find it both interesting and rewarding. We shall do our best to make your study of this module successful. You will be well on your way to success if you start studying early in the semester and resolve to do the assignments properly.

You will receive a number of tutorial letters during the semester. A tutorial letter is our way of communicating with you about teaching, learning and assessment.

Because this is a fully online module, you need to use myUnisa to study and complete the learning activities for this course. You need to visit the websites on myUnisa for ECS3707 frequently. The website for your module is ECS3707-15-S1.

1.1 To get started...

Because this is a fully online module, you need to go online to see your study materials and read what to do for the module. Go to the website here: <https://my.unisa.ac.za> and login with your student number and password. You will see ECS3707-15-S1 in the row of modules in the orange blocks across the top of the webpage. Remember to also check in the -more- tab if you cannot find it in the orange blocks. Click on the module you want to open.

In addition, you will receive this tutorial letter and a printed copy of the online study materials from your module. While these printed materials may appear to be different from the online study materials, they are exactly the same and have been copied from the online myUnisa website.

We wish you success on your journey!

2 OVERVIEW OF THIS MODULE: ECS3707

2.1 Purpose

The purpose of this module is to give you a thorough introduction to various important issues in economic development. The outcomes for the module are explained in detail in the study guide and include amongst others, reference to development problems, development planning and the role of international trade in developing economies.

The module is delivered via myUnisa, the Internet, peer group interaction, and community engagement in some of the activities. Your Lecturers will interact with students on myUnisa and via email.

2.2 Outcomes

For this module, there are several outcomes that we hope you will be able to accomplish by the end of the course:

The main outcomes of this module are the following:

- access, process and apply information from the study material to reflect critically on development issues
- explain the meaning of the concept “economic development”
- explain the most important theories of economic development and use them to analyse development problems
- analyse the challenges faced by the governments of developing countries with regard to the promotion of economic growth; the reduction of poverty, income inequality and rapid population growth; and the provision of education and health care
- understand the implications for developing countries of international trade and dependence upon foreign investment and foreign aid
- discuss the roles of markets and the state in the process of economic development

More detailed module outcomes can be found at the beginning of each study unit in your online study guide.

3 LECTURER AND CONTACT DETAILS

3.1 Lecturer

We, the lecturers who are responsible for this module, are available to assist you with any enquiries concerning the prescribed content. You may contact us as follows:

LECTURER	BUILDING & OFFICE NUMBER	TELEPHONE NUMBER	Email ADDRESS
Lötter, R. Ms Module leader	Club 1 Room 1-12	012 433-4705	bezuir@unisa.ac.za
Gamede, W. Ms	Club 1 Room 2-24	012 433-4643	gamednw@unisa.ac.za

You can also contact us by e-mail via *myUnisa*.

All queries that are not of a purely administrative nature **but are about the content of this module** should be directed to us. Please have your study material with you when you contact us.

The Primary Lecturer for this module is Ms R Lötter:

Department Economics
Telephone: 012 4334507
Email: bezuir@unisa.ac.za



3.2 Department

The Department of Economics has moved to Hazelwood. The physical address is Club 1 Building, Corner of Dely Road and Pinaster Avenue, Hazelwood, Pretoria. You will find the department's contact details in Tutorial Letter 301. You can also contact the department's coordinator, Mr Themba Mzangwa at 012 433-4661.

3.3 University

To contact the University, you should follow the instructions in the ***myStudies @ Unisa*** brochure. Remember to have your student number available when you contact the University.

When you contact the Lecturer, please do not forget to always include your student number. This will help the Lecturers to assist you.

4 MODULE RELATED RESOURCES

4.1 Prescribed book

Your prescribed textbook for this module for this year is:

Todaro, MP and Smith, SC. *Economic Development*, 2011. 11th edition. (Addison-Wesley is an imprint of) Pearson Education Limited: United Kingdom.

Please refer to the list of official booksellers and their addresses in *my Studies @ Unisa* brochure. Also see: <http://www.pearsoned.co.uk>

Prescribed books can be obtained from the University's official booksellers. If you have difficulty locating your book at these booksellers, please contact the Prescribed Book Section at telephone 012 429-4152 or e-mail vospresc@unisa.ac.za

4.2 Recommended books

There are no recommended books for this module.

4.3 Electronic Reserves (e-Reserves)

There are no e-Reserves for this module.

4.4 Joining myUnisa

If you have access to a computer that is linked to the internet, you can quickly access resources and information at the University. The *myUnisa* learning management system is Unisa's online campus that will help you to communicate with your lecturers, with other students and with the administrative departments of Unisa – all through the computer and the internet.

You can start at the main Unisa website, <http://www.unisa.ac.za>, and then click on the *myUnisa* orange block. This will take you to the *myUnisa* website. To access the *myUnisa* website directly, go to <https://my.unisa.ac.za>. When you are on the *myUnisa* website, click on the "Claim UNISA Login" at the right-hand side of the screen. You will then be prompted to give your student number to claim your initial *myUnisa* as well as *myLife* login details.

Please consult the publication ***my Studies @ Unisa*** which you received with your study material for more information on *myUnisa*.

5 STUDENT SUPPORT SERVICES

For information on the various student support systems and services available at Unisa (e.g. student counseling, tutorial support programme and classes, language support), please consult the publication *my Studies @ Unisa* that you received with your study material.

5.1 Contact with fellow students: Study groups

It is advisable to have contact with fellow students. One way to do this is to form study groups. You can get the names of other students in your area for the same modules by contacting the Department of Student Admission and Registration. For further information, please consult the, *my Studies @ Unisa* brochure.

5.2 myUnisa

If you have access to a computer that is linked to the internet, you can quickly access resources and information at the university. The *myUnisa* learning management system is Unisa's online campus that will help you to communicate with your lecturers, with other students and with the administrative departments of Unisa – all through the computer and the internet.

To go to the *myUnisa* website, start at the main Unisa website, <http://www.unisa.ac.za>, and then click on “myUnisa” link on the top right-hand side of the screen. This should take you to the *myUnisa* website. You can also go there directly by typing in <https://my.unisa.ac.za>.

Please consult the *my Studies @ Unisa* brochure for more information.

An important resource on the module website on *myUnisa* is the discussion forum. Please make use of it. We are also in the process of building a module website with additional study material at www.econom.co.za.

5.3 Discussion classes

There are no discussion classes for this module.

5.4 Tutorial support programme

Unisa offers tutor services for students as additional academic support at the various Unisa regional learning centres throughout the country.

A tutorial is an organised session where students and tutor(s) meet regularly at a common venue and at scheduled times to discuss course material. The main purpose of the tutorial services is to facilitate student learning by developing the student's independent learning skills and assisting students to become motivated and independent learners. Tutorials help the students to develop and enhance their learning experience and academic performance through interaction with the tutor and fellow students. Tutorials are not compulsory. **Interested students are advised to consult a learning centre closest to them to enroll for tutorials.** For further information on learning centre's and tutorials consult the brochure *my Studies @ Unisa*.

Note that tutors and e-tutors are not necessarily available for all modules and/or at all learning centers. The Department of Economics has no means of providing you with any tutorial support if you did not follow the abovementioned steps.

6 MODULE-SPECIFIC STUDY PLAN

6.1 Assignments and learning

Assignments are seen as part of the learning material for this module. As you do the assignment, study the texts, consult other resources, discuss the work with fellow students or tutors or do research, you are actively engaged in learning.

Looking at the assessment criteria given for this module, the five assignments will help you to understand what is required of you more clearly.

If you have access to the internet, you can view and download the study guides and tutorial letters for the modules for which you are registered on the university's online campus, *myUnisa*, (under the official study material folder) at <https://my.unisa.ac.za>.

6.2 General remarks

You will find in your *my Studies @ Unisa* brochure contact details regarding enquiries about assignments (e.g. whether or not the university has received your assignment or the date on which an assignment was returned to you). You might also find information on *myUnisa*.

Use the *my Studies @ Unisa* brochure for general time management and planning skills.

6.3 Feedback on assignments

You will receive the correct answers automatically for multiple-choice assignment questions (01 and 03). Assignment 02 and assignment 04 are self-assessment assignments. Please work thoroughly through the answers we will provide. Compare it with your answers as well. Feedback on assignments **will be uploaded on myUNISA to all students registered for this module**. The tutorial letter numbers will be 201 and, 202.

As soon as you have received the feedback, please check your answers. The assignments and the feedback on these assignments constitute an important part of your learning and should help you to be better prepared for the next assignment and the examination.

6.4 Learning strategy and proposed study programme

In this module, the emphasis is very much on the development of your understanding of different theories regarding the determination of output and income. Therefore, you will be exposed to a number of different concepts, such as the different assumptions which underlie the theoretical models, the interaction between the various development economics variables, the different analytical tools, and economic policy implications for development.

It is important that you have a thorough understanding of the different building blocks of the various models so as to gain a comprehensive picture of how the development economic works. Towards the end of the module, this picture will become clearer and logical.

Approach each study unit in the study guide as follows: First read the study unit outcomes which will help you to focus on the important aspects and issues in that unit. Work through each section of the study guide together with the relevant chapter in the textbook. Remember that the study guide serves to assist you to work through the contents of the text book. Make notes or summaries as you go along.

You will see that the activities test your understanding of the content and cover a range of the different type of questions that will be examined. You should also check your answers against the solutions provided. If you are not clear on certain concepts or theories, revise them before proceeding to the next study unit.

To help you to work on this module regularly and systematically, we provide a proposed study programme below and five assignments (see section 8.4 of this tutorial letter). The proposed study programme is based on the assumption that first-semester students will commence their studies before or during the last week of January and second-semester students before or during the third week of July. In each semester the period from the last day of registration to the start of the examination consists of only 15 weeks. Hence, it is critical that you should start working as soon as possible and continue to work regularly and systematically throughout the semester.

PROPOSED STUDY PROGRAMME: FIRST SEMESTER

STUDY WEEK	Week starting	STUDY UNIT(s) or study instruction
1	26 January	1 and 2
2	2 February	2 and 3
3	9 February	3 and 4
4	16 February	4 Complete and submit compulsory Assignment 01 <i>Closing date: 26 February 2015</i>
5	23 February 26 February	4 <i>Submit Assignment 01</i>
6	2 March	5 Start completing Assignment 02 It is a self-assessment assignment (Study units 1 to 4)
7	9 March	6 and 7
8	16 March	7 and 8
9	23 March	8
10	26 March 30 March	Complete and submit compulsory Assignment 03 <i>Closing date: 26 March 2015</i>
11	6 April	Start completing Assignment 04 It is a self-assessment assignment (Study units 5 to 8)
12	13 April	The self-assessment questions are good examples of examination questions
13	20 April	Finalise Assignment 04
14	27 April	Prepare for examination
15	4 May	Prepare for examination

PROPOSED STUDY PROGRAMME: SECOND SEMESTER

STUDY WEEK	Week starting	STUDY UNIT(s) or study instruction
1	13 July	1 and 2
2	20 July	2
3	27 July	3
4	3 August	4
5	10 August	Complete and submit compulsory Assignment 01 <i>Closing date: 17 August 2015</i>
6	17 August 22 August	<i>Submit Assignment 01</i>
7	24 August	5 Start completing Assignment 02 It is a self-assessment assignment (Study units 1 to 4)
8	31 August	6
9	7 September	7
10	14 September	7 and 8 Start completing compulsory Assignment 03 <i>Closing date: 24 September 2015</i>
11	21 September 24 September	8 <i>Submit Assignment 03</i>
12	28 September	Start completing Assignment 04 It is a self-assessment assignment (Study units 5 to 8)
13	6 October	The self-assessment questions are good examples of examination questions. Finalise Assignment 04
14	13 October	Prepare for examination

7 Assessment

7.1 Assessment plan

Assessment will be done by the module leader and, where applicable, the module team and/or the examiner(s). The name(s) of examiner(s) will also be indicated on examination question papers.

7.1.1 Assessment of assignments

Assessment criteria used for the assignments will be done as follows: the multiple-choice questions in Assignments 01 and 03 can be answered **online and marked electronically or by using a mark reading sheet**. No marks will be deducted for incorrect answers. Assignment 02 and 04 are written self-assessment assignments.

Note that assignment 01 is compulsory. The first assignment will contribute 40% to the semester mark and the third assignment 60%.

Please note: Although students may work together when preparing assignments, each student must submit his or her own individual assignment. Any form of plagiarism may lead to penalisation or you may be subjected to disciplinary proceedings by the university.

7.1.2 Assessment of examination

For general information and requirements as far as examinations are concerned, see the brochure *my Studies @ Unisa* which you received with your study material.

Please note that the applications for, and the administration of re-marks of examination scripts are handled solely by the Examination department and not academic departments.

7.1.3 Examination admission

Please note that submission of Assignment 01 is compulsory to gain admission to the examination. Two assignments will contribute towards the semester and final marks.

7.2 Semester mark

Your semester mark is based on your assignment marks. The two assignments that you submit during the semester contribute towards your semester mark. Different weights are allocated to the assignments. The first assignment contributes 40%, the third assignment 60% to your semester mark. If an assignment is not submitted or submitted late (for whatever reason), zero marks are awarded for such assignment.

7.2.1 The examination mark

The percentage achieved in the examination is used in the calculation of your final mark.

7.2.1 Final mark

The weight of the assignments will be 20% while the examination's weight is 80%.

Your final mark is calculated as follows:

Semester mark (out 100) x 20% + Examination mark (out 100) x 80%

For example:

Suppose your semester mark is 46% and you get 60% in the examination. Your final mark will be:

$$\begin{aligned} & (46 \times 20\%) + (60 \times 80\%) \\ &= (46 \times 0.2) + (60 \times 0.8) \\ &= 9.2 + 48 \\ &= 57.2\% \end{aligned}$$

7.3 General assignment numbers

Assignments are numbered consecutively per module, starting from 01. In this module there are four assignments per semester, namely 01, 02, 03 and 04.

7.3.1 Unique assignment numbers

In addition to the general assignment number (e.g. 01 or 03); each assignment (multiple-choice questions or written assignments) must have its own unique assignment number (e.g. 102717). In this module assignments 01 and 03 consist of only multiple-choice questions and must be submitted **online or using a mark reading sheet** - with an own unique assignment number. Assignment 02 and 04 are self-assessment assignments that must not be submitted and have therefore no unique assignment numbers.

7.3.2 Due dates of assignments

Please note that the due dates for the submission of assignments to Unisa are indicated in the proposed study programme as well. The last ten questions of Assignment 01 are designed to obtain information required for the compilation of a student profile for this module. Your kind cooperation is requested, as this information assists the department in its ongoing efforts to ensure quality tuition. Your marks for this assignment will be based on your answers to content questions.

Please note: Although students may work together when preparing assignments, each student must write and submit his or her own individual assignment. In other words, you must submit your own ideas in your own words, sometimes interspersing relevant short quotations that are properly referenced. It is unacceptable for students to submit identical assignments on the basis that they worked together. That is copying (a form of plagiarism) and none of these assignments will be marked. Furthermore, you may be penalised or subjected to disciplinary proceedings by the university.

SEMESTER 1: ASSIGNMENT SUBMISSION DATES

Assignment number	Unique number	Closing date	Contents of assignments	Type of assignment	Weight
01	606703	26 February 2015	Study units 1 - 4	Multiple-choice	40
02	No unique number	Self-assessment Please do not submit	Study units 1 - 4	Written	0
03	606749	26 March 2015	Study units 5 - 8	Multiple-choice	60
04	No unique number	Self-assessment Please do not submit	Study units 5 - 8	Written	0

SEMESTER 2: ASSIGNMENT SUBMISSION DATES

Assignment number	Unique number	Closing date	Contents of assignments	Type of assignment	Weight
01	606773	17 August 2015	Study units 1 - 4	Multiple-choice	40
02	No unique number	Self-assessment Please do not submit	Study units 1 - 4	Written	0
03	606835	24 September 2015	Study units 5 - 8	Multiple-choice	60
04	No unique number	Self-assessment Please do not submit	Study units 5 - 8	Written	0

7.4 Submission of assignments

ONLINE - electronically via *myUnisa*.

OR

Written using a mark reading sheet - You may submit written assignments either by post or electronically (preferred method) via *myUnisa*. **Assignments may not be submitted by fax or e-mail.**

For detailed information on assignments, please refer to the *myStudies @ Unisa* brochure.

To submit an assignment via *myUnisa*:

- Go to *myUnisa*.
- Log in with your student number and password.
- Select the module.
- Click on assignments in the menu on the left-hand side of the screen.
- Click on the assignment number you wish to submit.
- Follow the instructions on the screen.

For detailed information on assignments, please refer to the *my Studies @ Unisa* brochure.

If you experience any problems to submit your assignment electronically via *myUnisa*, please send an e-mail to ICT-Help@unisa.ac.za – with your student number in the subject line.

8 CONCLUSION

Do not hesitate to contact your lecturer by email if you are experiencing problems with the content of this tutorial letter or any aspect of the module.

I wish you a fascinating and satisfying journey through the learning material and trust that you will complete the module successfully.

Enjoy the journey!

ECS3707	Semester 1
Compulsory Assignment 01	
Study Unit	1 to 4
Due date	26 February 2015
Unique number	606703

This assignment contributes 40% towards your semester mark. Remember: To gain admission to the examination Assignment 01 must be submitted on or before the due date. Please ensure that this assignment reaches the University on or before the due date.

Assignment 01 consist of 40 multiple choice questions;

- The first 30 questions (i.e. numbers 1.1 to 1.30) of this assignment are based on study units 1 to 4 in the study guide.
- The last ten questions are designed to obtain information from you in order to establish a student profile for this module. No marks will be awarded for these questions but your responses will amongst others, assist us in our quality assurance efforts.

CHOOSE THE CORRECT OPTION

ASSIGNMENT 1

1.1 Which of the following is true about less a developed country?

- [1] Low birth rate, high GDP per capita
- [2] High birth rate, low GDP per capita
- [3] Low death rate, low birth rate
- [4] Low infant mortality rate, low death rate
- [5] none of the above

1.2 Development economists

- [1] do not discuss values, since Economics thinks of itself as very similar to a physical science. consider values in their analysis, because economic investigations cannot be considered separately from their institutional, social, and political contexts.
- [2] do not discuss values, because Economics is a value-free science.
- [3] do not discuss values, in order to avoid injecting their own cultural biases into the analysis.
- [4] consider values in their analysis, because they believe in certain universal value premises on which everyone agrees.

1.3 Proponents of the "new" view of economic development believe that

- [1] development is primarily an economic phenomenon in which per capita GNP growth will eventually "trickle down" to the impoverished masses.
- [2] development can only occur if the developing country cuts ties with the exploitative "north" and allies itself with other developing countries.
- [3] the focus of development strategies should be on GDP growth.
- [4] development should be thought of as a multi-dimensional process.
- [5] development process can be usefully measured by improvements in a country's balance of payments.

1.4 According to Sen's capability approach, an essential test of progress, development, or poverty reduction, is whether people have more

- [1] freedom.
- [2] utilities.
- [3] commodities.
- [4] income.
- [5] culture.

1.5 Developing countries are commonly characterized by

- [1] low levels of living, high levels of income inequality, and high dependency burdens.
- [2] low levels of productivity, prevalence of imperfect markets, and high rates of population growth.
- [3] primary-product exports, inadequate education and vulnerability in international relations.
- [4] all of the above
- [5] a and b only

1.6 According to Amartya Sen development

- [1] should be thought of as rapid growth of GDP or GNP per capita.
- [2] implies that the only statistic that really matters at the end of the day is life expectancy.
- [3] requires cultural changes such that the poor begin to think in "modern" ways.
- [4] is a meaningless concept in a world characterised by capitalist domination of the masses.
- [5] should be thought of as a process during which individuals "capabilities to function" are enhanced.

1.7 If a country has Human Development Index of 0.48. This country is likely to have

- [1] a low level of life expectancy.
- [2] a low age dependency burden.
- [3] high levels of literacy.
- [4] a rapid population growth rate.
- [5] a low crude birth rate.

1.8 Select the correct statement(s):

- a. According to Amartya Sen, the characteristics of a commodity matter more than the utility of such a commodity.
- b. In terms of Sen's theory, disparity between measured real incomes and the actual advantages, are always caused by personal heterogeneities.
- c. Resources within a family are sometimes unevenly shared.
- d. A sense of worth and self-respect is one of the core values of development.

- [1] a and b
- [2] c and d
- [3] a and c
- [4] b and c
- [5] a and d

1.9 Which measure uses a common set of international prices for all goods and services produced?

- [1] purchasing power parity income levels
- [2] GNP price deflators
- [3] foreign exchange rate conversions to U.S. dollars
- [4] the exchange rate
- [5] none of the above

1.10. Many countries that became independent after World War II found that the legacy of colonialism hindered their economic development. According to the textbook, the list of hindrances included

- [1] artificial political boundaries that covered diverse ethnic groups with little in common.
- [2] inadequate access to higher education and training for nationals under the colonial administration.
- [3] control of domestic commerce by foreign minority groups which had been brought in by the colonial power.
- [4] all of the above
- [5] none of the above

1.11 The Harrod-Domar growth model suggest that growth is

- [1] directly related to savings and the capital/output ratio.
- [2] indirectly related to savings and the capital/output ratio.
- [3] directly related to the capital/output ratio and inversely related to savings.
- [4] directly related to savings and inversely related to the capital/output ratio.
- [5] none of the above

1.12 Criticisms of Rostow's stages of development include

- [1] the difficulty of testing the stages scientifically.
- [2] conditions for takeoff are contradicted by historical evidence.
- [3] characteristics of one stage are not unique to that stage.
- [4] all of the above
- [5] none of the above

1.13 In the Lewis model

- [1] surplus labour is assumed to exists in the rural areas.
- [2] unemployment is assumed to exist in urban areas.
- [3] capitalists are assumed to reinvest their profit, further increasing the demand for labour.
- [4] all of the above
- [5] only [1] and [3]

1.14 In the Harrod-Domar model, suppose that the national capital-output ratio is 4. If the national net savings rate increases from 8% to 12%, the economic growth rate will increase from ___ to ___.

- [1] 2%; 3%
- [2] 0.5%; 0.33%
- [3] -6%; 0%
- [4] 32%; 48%
- [5] The answer cannot be determined from the information given

1.15 According to the Solow model, the only way to drive economic growth in the long run is to:

- [1] increase both the savings rate and labour hours.
- [2] increase the savings rate.
- [3] increase the labour hours.
- [4] increase the amount of capital equipment.
- [5] progress technologically.

1.16 In a steady state with population growth and technological progress

- [1] the capital share of income increases.
- [2] the labour share of income increases.
- [3] sometimes the capital share increases and sometimes the labour share increases.
- [4] the capital and labour shares of income are constant.
- [5] None of the above

1.17 Constant returns to capital in the endogenous growth model are due to

- [1] investment by individual firms in capital exhibit which constant returns.
- [2] positive externalities.
- [3] perfect capital markets.
- [4] government spending.
- [5] structural change and market failure.

1.18 The Solow neoclassical growth model predicts

- [1] absolute convergence.
- [2] unconditional convergence.
- [3] conditional convergence.
- [4] residual convergence.
- [5] gross convergence.

1.19 The main difference between the neoclassical and endogenous growth model is that:

- [1] Only endogenous theory allows for technological progress.
- [2] In the endogenous growth model returns to capital are constant, in the neoclassical theory they are diminishing.
- [3] Only in the neoclassical theory, labour is a factor of production.
- [4] All of the above
- [5] None of the above

1.20 Public choice theory argues that from an economic development perspective

- [1] the typical bureaucrat is actually interested in the welfare of the nation as a whole.
- [2] socialism is usually an effective way to foster economic development.
- [3] the best government is a large government.
- [4] the best government is a small government.
- [5] none of the above

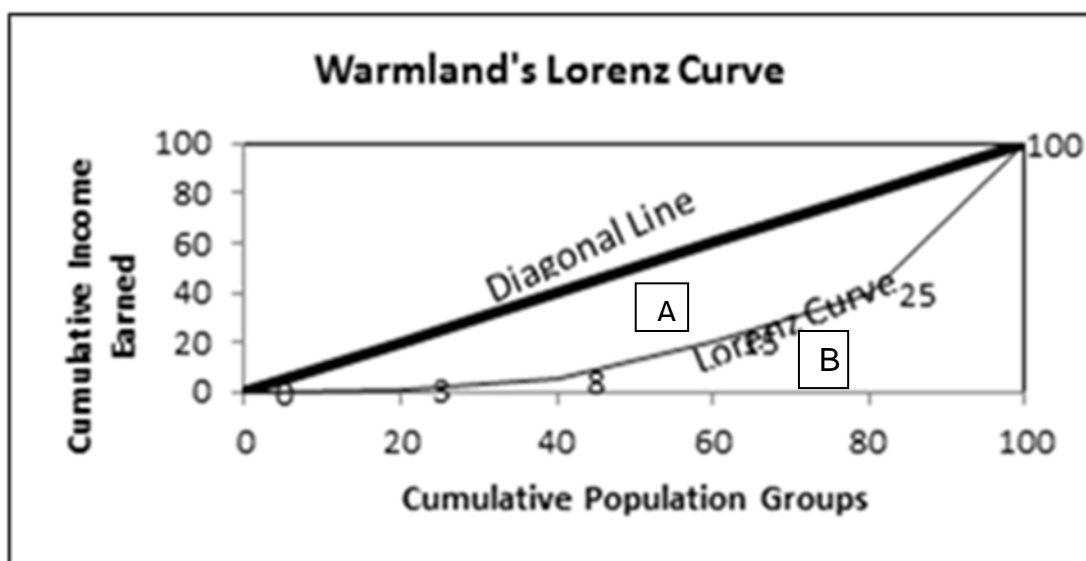
1.21 The Lorenz curve indicates

- [1] patterns of poverty between developed and developing countries.
- [2] income concentration relative to a 45-degree line.
- [3] the change in GDP per capita over time.
- [4] the poorest income shares fall in the early stages of growth.
- [5] the maximum standard of living.

1.22 Indices of income distribution measure

- [1] standard of living.
- [2] economic growth.
- [3] absolute poverty.
- [4] under development trap.
- [5] relative poverty.

Study the illustration below and answer the questions 1.23, 1.24 and 1.25



1.23 If the Lorenz curve were bowed out more in the future than it is on this graph, it would indicate that income would have

- [1] increased.
- [2] decreased.
- [3] become more equal among households.
- [4] become more unequal among households.
- [5] decreased the multidimensional poverty index.

1.24 The lowest 40% of households by income earn approximately

- [1] 5% of total income.
- [2] 10% of total income.
- [3] 15% of total income.
- [4] 20% of total income.
- [5] 25% of total income.

1.25 To determine the Gini coefficient from the information on the graph, one would

- [1] multiply area A by area B.
- [2] divide area B by area A.
- [3] divide area A by area B.
- [4] divide area A by areas A + B.
- [5] divide area B by areas A + B.

1.26 The total fertility rate (TFR) is the

- [1] total number of children born in a country in a given year divided by the labour force.
- [2] deaths among children between birth and 5 years of age per 1000 live births.
- [3] number of children born to the average women during her reproductive years.
- [4] number of births in a country divided by total population in a given year.
- [5] number of women age 15-45 in a country divided by total population.

1.27 Malthus theory states that the population increases

- [1] proportionally to economic growth.
- [2] with food supply and economic development.
- [3] disproportionately, surpassing agricultural production.
- [4] geometrically, outstripping food supply, which grew arithmetically.
- [5] as life expectancy at birth increases.

1.28 Organised family-planning programs and the demand for birth control resulting from urbanisation, modernisation, economic development, and increased education have contributed to

- [1] the Malthusian population trap.
- [2] increases in the ratio of labour to capital.
- [3] the demographic transition from stage 3 to stage 2.
- [4] a decline in fertility.
- [5] an increase in the dependency ratio.

1.29 Which of the following is not generally considered to be one of the major negative consequences of rapid population growth?

- [1] Environmental degradation
- [2] Higher infant mortality rates
- [3] Lower per capita growth
- [4] Decreased legal international migration
- [5] All of the above

1.30 The microeconomic theory of fertility states that

- [1] family formation has the same cost and value to all when families are formed.
- [2] public programs must help parents plan and regulate their family size.
- [3] family formation has costs and benefits that determine the size of families formed.
- [4] the large existing youthful population expands the population's base of potential parents.
- [5] family planning must be Pareto efficient when families are formed.

The following questions are for information purposes and does not count any marks.

1.31. Did you make use of private tuition (Damelin, Varsity College, Boston and others)?

- [1] No.
- [2] Yes and I paid less than a R1 000 for the tuition.
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1.32 How do you usually access the internet?

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- [1] No, because I do not have access to the internet.
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1.39 Which one of the following best describes your use of the e-tutor site on *myUnisa*?

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- [1] I find it extremely helpful.
- [2] I find it fairly helpful.
- [3] I find it helpful.
- [4] I did not find it very helpful.
- [5] I did not find it helpful at all.

❧❧❧ End of assignment 01 ❧❧❧

Please see the self-assessment assignments at the end of tutorial letter 101.

ECS3707	Semester 1
Compulsory Assignment 03	
Study Unit	5 to 8
Due date	26 March 2015
Unique number	606749

This assignment contributes 60% towards your semester mark. Remember: To gain admission to the examination Assignment 01 must be submitted on or before the due date. Please ensure that this assignment reaches the University on or before the due date.

Assignment 03 consists of 20 multiple choice questions. These 20 questions (i.e. numbers 3.1 to 3.20) of this assignment are based on study units 5 to 8 in the study guide.

3.1 In general, countries that have higher average number of years of education per person have

- [1] higher education Gini coefficients.
- [2] less equal distributions of education.
- [3] lower education Gini coefficients.
- [4] [1] and [2]
- [5] none of the above.

3.2 Which of the following statements are not true?

- [1] Education is important for the formation and training of health personnel.
- [2] Death of school-age children also increases the cost of education per worker.
- [3] Longer life spans raise the return to investments in education.
- [4] Education does not affect childbearing years.
- [5] Health is an important factor for school attendance.

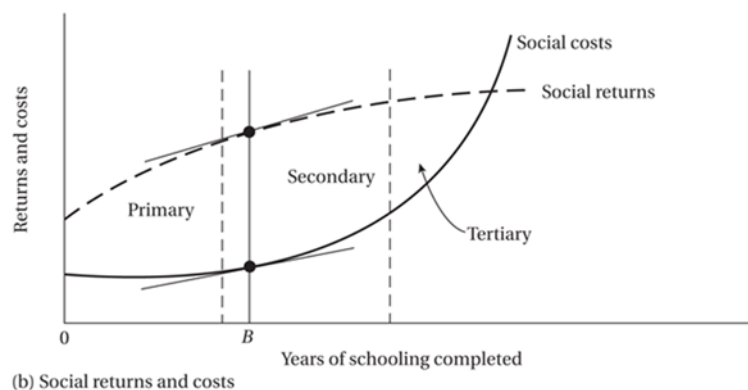
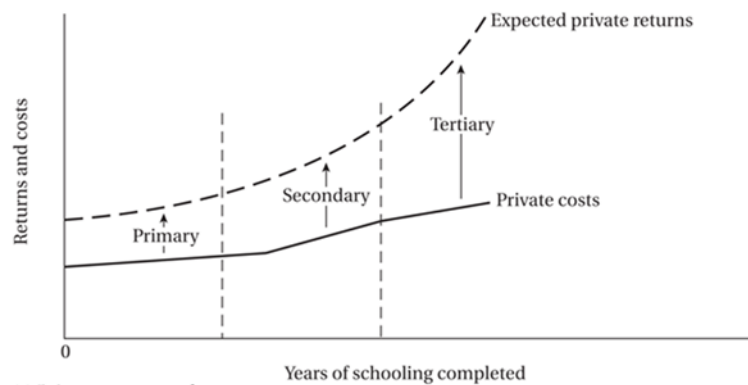
3.3 Closing the educational gender gap is widely considered to be economically desirable because

- [1] it lowers fertility and greatly improves child health.
- [2] it would help lessen poverty, since women are less likely to be impoverished than men.
- [3] increasing women's education increases their productivity.
- [4] the rate of return on women's education is higher than that of men's in most developing countries.
- [5] all of the above

3.4 Which one of the following statements defines “ Literacy rate”:

- [1] Total literate people divided by total population.
- [2] Total literate population divided by total population.
- [3] It measures the proportion of literate population in the 7 years and above age group.
- [4] proportion of literate population in the 18 years above age group.
- [5] none of the above

Study the illustration below and answer the questions 3.5, 3.6 and 3.7



Source: Todaro and Smith 2011

3.5 Typically in a developing country, the social cost of education

- [1] increase rapidly as students climb the educational ladder.
- [2] do not always measure the same benefits and cost of society.
- [3] are associated with external benefits and cash transfer programs.
- [4] indicates that only those who can afford it would receive it.
- [5] decrease rapidly as students climb the educational ladder.

3.6 Beyond point B on the graph

- [1] marginal social costs exceed marginal social benefits.
- [2] marginal social cost equals marginal social benefits.
- [3] marginal social cost is less than marginal social benefits.
- [4] investment in higher level schooling will yield a zero net social rate of return.
- [5] investment in higher level schooling will yield a positive net social rate of return.

3.7 The rapid increase in the marginal social cost of post primary education is a result of the

- [1] less expensive capital and recurrent cost of higher education.
- [2] more expensive labour augmenting technological progress.
- [3] more expensive capital and recurrent cost of higher education.
- [4] less expensive labour augmenting technological progress.
- [5] none of the above

3.8 Research has shown that

- [1] South Africa is becoming one of the fattest countries in the world.
- [2] the more educated a mother is, the healthier will her children be.
- [3] increases in income may lead to a substitution towards more less nutritional “junk food”.
- [4] Mexico’s “Progresa” can be seen as a successful conditional cash transfer program.
- [5] all of the above

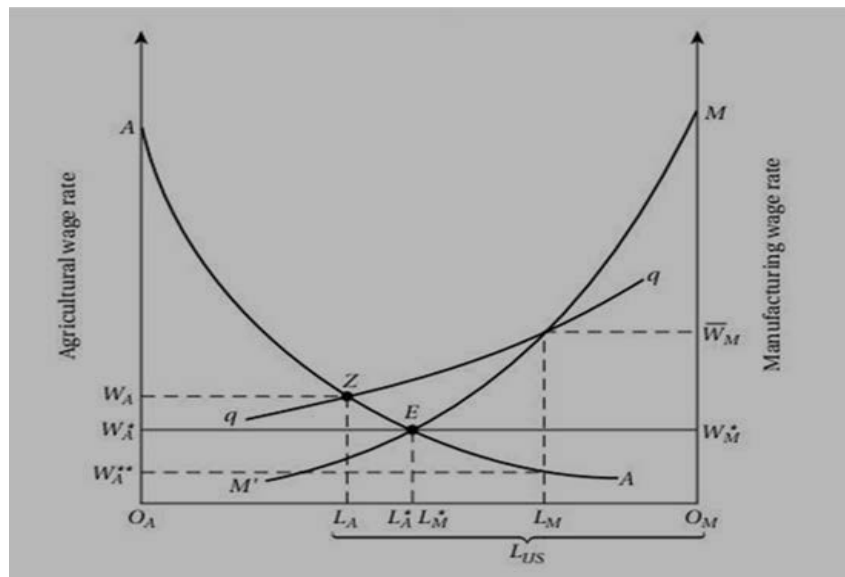
3.9 The emigration of highly skilled people from developing countries is known as

- [1] human capital deterioration.
- [2] the big push.
- [3] labour degradation.
- [4] migration of productivity.
- [5] the brain drain.

3.10 Urbanisation is best defined as

- [1] the growth in the population of urban areas as a result of several factors.
- [2] the increase in the proportion of the population living in urban areas.
- [3] people moving from urban areas to rural areas.
- [4] people moving from rural areas to urban areas.
- [5] none of the above

Study the illustration below and answer the questions 3.11, 3.12, 3.13 and 3.14



Source: Todaro and Smith (2011:340)

3.11 Expanding urban employment opportunities will, according to the Harris-Todaro Model, do the following:

- [1] Have no effect on rural-urban migration.
- [2] Be self-defeating as it will eventually increase unemployment in cities.
- [3] Reduce unemployment in cities.
- [4] Increase the current account deficit.
- [5] none of the above

3.12 When the Harris-Todaro model is in equilibrium the expected urban wages will be

- [1] greater than the rural wage rate.
- [2] less than the rural wage rate
- [3] equal to the rural wage rate.
- [4] equal to the social cost of migration.
- [5] none of the above

3.13 Suppose migrants are risks averse. When the Harris-Todaro model is in equilibrium the expected urban wages will be

- [1] greater than the rural wage rate.
- [2] equal to the rural wage rate.
- [3] less than the rural wage rate.
- [4] equal to the cost of migration.
- [5] none of the above

3.14 According to the Harris and Todaro, creating urban jobs by expanding industrial output

- [1] is insufficient for solving the urban unemployment problem.
- [2] will generate capital-intensive technologies.
- [3] will generate more government revenue through urban wages.
- [4] indicates the dependency of output of the working population.
- [5] induces government to increase minimum wages.

3.15 When MNC's artificially inflates the price it pays for intermediate products purchased from abroad in an effort to lower stated local profits and pay lower taxes, the MNC is said to be practicing

- [1] portfolio pricing.
- [2] transfer pricing.
- [3] average cost pricing.
- [4] foreign exchange gap pricing.
- [5] least-squares pricing.

3.16 Unlike MNC's, portfolio investors are

- [1] in the development business to make significant changes in less developed countries.
- [2] giving foreign aid to assist developing countries with portfolio and infrastructural projects.
- [3] giving official development assistance in terms of grants and loans.
- [4] investing in middle income countries to increase their returns while diversifying their risks.
- [5] none of the above

3.17 Government's use of coordinated policies to achieve national economic objectives is

- [1] reconstruction and development.
- [2] commanding heights.
- [3] development planning.
- [4] public physical policy.
- [5] entrepreneurial programs.

3.18 Market failure

- [1] involves the difficulties that many developing countries encounter when attempting to operate a stock market.
- [2] is a surprisingly rare occurrence in the developing world.
- [3] a justification for government intervention in the developing world.
- [4] only [2] and [3]
- [5] none of the above

3.19 While central planning went overboard in suppressing the private market economy, the Washington Consensus runs the danger of

- [1] Placing too much emphasis on the possibilities of poverty traps.
- [2] denying the government its rightful role in providing an important range of public goods.
- [3] forming agreements between the World Bank and IMF to restrict loans to developing countries.
- [4] placing too much emphasis on the social benefits of structural reforms.
- [5] all of the above

3.20 The Washington Consensus s advocates the following policy stances:

- [1] Governments are more likely to make things better than worse.
- [2] Outward- looking development policies.
- [3] Deregulation, the elimination of laws, rules and regulations that govern particular industries which limit competition.
- [4] Imposing of restrictions or barriers on the free exchange of goods between nations.
- [5] A reduction of public expenditure priorities toward fields offering both high economic reforms and the potential to improve income distribution,

End of assignment 03

Please see the self-assessment assignments at the end of tutorial letter 101.

ECS3707	Semester 2
Compulsory Assignment 01	
Study Unit	1 to 4
Due date	17 August 2015
Unique number	606773

This assignment contributes 20% towards your semester mark. Remember: To gain admission to the examination Assignment 01 must be submitted on or before the due date. Please ensure that this assignment reaches the University on or before the due date.

Assignment 01 consist of 40 multiple choice questions;

- The first 30 questions (i.e. numbers 1.1 to 1.30) of this assignment are based on study units 1 to 4 in the study guide.
- The last ten questions are designed to obtain information from you in order to establish a student profile for this module. No marks will be awarded for these questions but your responses will amongst others, assist us in our quality assurance efforts.

CHOOSE THE CORRECT OPTION

1.1 Select the incorrect statement:

- [1] Development economics also has to do with the efficient allocation of scarce resources.
- [2] Development economics is more concerned with cultural and political issues than traditional economics and political economy.
- [3] The statement “Modernisation is desirable” rests on a value judgement.
- [4] Development economics is value-free.
- [5] Social systems consist of interdependent relationships between so-called economic and non-economic factors.

1.2 Select the incorrect statement:

- [1] Neglect of economic factors has contributed to the failure of many development policies.
- [2] Traditional development strategies focused on industrialisation, often at the expense of agricultural and rural development.
- [3] The three core values of development are sustenance, self-esteem and freedom.
- [4] The freedom element of development involves an expanded range of economic, social and political choices.
- [5] The three objectives of development are to increase the availability and widen the distribution of basic life-sustaining goods, raise levels of living, and expand the range of economic and social choices.

1.3 The World Bank classify countries as more or less developed based on the

- [1] Human Development Index.
- [2] poverty rate and head count index.
- [3] level of income per capita.
- [4] types of goods they produce.
- [5] gross domestic product by using purchasing power parity.

1.4 A subsistence economy is

- [1] a low income per capita economy.
- [2] an economy in which people receive food as payment.
- [3] an economy in which people consume what they make.
- [4] an economy in which people are fully integrated.
- [5] all of the above

1.5 A good definition of the meaning of development includes the

- [1] elimination of relative poverty.
- [2] fulfilment of the potential of individuals.
- [3] improvement in national income.
- [4] reaching the Millennium Development Goals.
- [5] all of the above

1.6 The Millennium Development Goals include

- [1] eliminating the proportion of people living on less than \$1 per day.
- [2] universal secondary education.
- [3] promoting gender equality.
- [4] halt and reverse HIV/AIDS.
- [5] all of the above.

1.7 It is possible for a country to experience

- [1] human development without economic growth.
- [2] economic growth without economic development.
- [3] economic growth and development simultaneously.
- [4] economic growth and population growth simultaneously.
- [5] all of the above.

1.8 Select the correct statement

- [1] Developing countries that have achieved their growth targets have not always succeeded in improving the living standard of the masses of their people.
- [2] The new economic view of development denies that economic growth is important for development.
- [3] Rising income per capita is a necessary and a sufficient condition for development.
- [4] At this stage, it is certain that none of the Millennium Development Goals will be met by 2015.
- [5] None of the above

1.9 Select the incorrect statement:

- [1] Capital accumulation results when some proportion of present income is saved and invested to augment future output and income.
- [2] Capital accumulation refers to the adding of new resources or the upgrading of the quality of existing resources.
- [3] The effect of population growth on economic growth depends on the ability of the economic system to absorb and productively employ these added workers.
- [4] Neutral technological progress may lead to an outward-shifting production possibility curve.
- [5] Capital-saving technological processes are more commonly found than labour-saving technological processes.

1.10 Which of the following is not a policy proposal of the neoclassical counter-revolution school?

- [1] Promoting free trade
- [2] Promoting trade unions
- [3] Welcoming multinational corporations
- [4] Privatizing state-owned enterprises
- [5] Gains from trade

1.11 Which of the following is an assumption of the Lewis two-sector model?

- [1] High unemployment in the urban modern sector.
- [2] Surplus labour in the rural sector.
- [3] Rising real urban wages.
- [4] Rising marginal product of labour in the rural sector.
- [5] Diversified mixed farming.

1.12 The false paradigm model attributes lack of development to

- [1] Inappropriate advice from rich country economists.
- [2] Inadequate attention to price incentives.
- [3] A lack of government regulation.
- [4] Low levels of savings and investment.
- [5] Low levels of technological progress.

1.13 According to the theory of structural patterns of development, which of the following tends to occur as a country develops?

- [1] Growth of the rural sector.
- [2] A decline in trade as a share of GNP.
- [3] A shift from agriculture to industry and services.
- [4] An increase in the percentage of income spent on food.
- [5] Growth poles and an increase in the labour output ratio.

1.14 According to the dependence theory, the developing world is known as the

- [1] backward areas.
- [2] periphery.
- [3] third world.
- [4] centre.
- [5] global factories.

1.15 The underlying assumption of the Harrod-Domar growth model is that

- [1] the incremental capital-output ratio is given by $k = Y/K$.
- [2] growth can be sustained only if agricultural productivity rises.
- [3] developing countries save too much and invest too little.
- [4] growth is mainly determined by capital accumulation.
- [5] none of the above.

1.16 In a steady state with population growth and technological progress

- [1] the capital share of income increases.
- [2] the labour share of income increases.
- [3] sometimes the capital share increases and sometimes the labour share increases.
- [4] the capital and labour shares of income are constant.
- [5] none of the above

1.17 Kuznets' inverted-U hypothesis

- [1] implies that things must get worse before they get better.
- [2] suggests that inequality will worsen and then improve as a country grows.
- [3] suggests that inequality will improve and then worsen as a country grows.
- [4] points out six characteristics of modern economic growth.
- [5] none of the above.

1.18 The aggregate production function for the Solow growth model assumes (A) _____ returns to scale and (B) _____ marginal productivity of labour and capital.

- [1] A: increasing
B: diminishing
- [2] A: constant
B: diminishing
- [3] A: decreasing
B: constant
- [4] A: constant
B: increasing
- [5] A: constant
B: constant

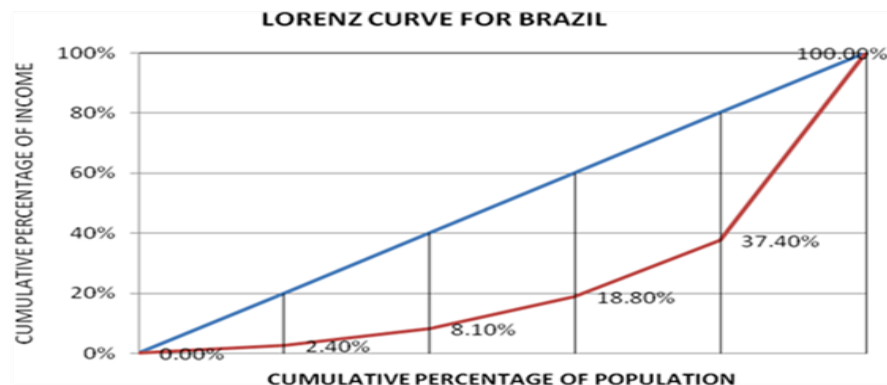
1.19 The Solow residual is the difference between the

- [1] rate of growth of productivity and the rate of growth of inputs.
- [2] rate of growth of output and the rate of growth of savings.
- [3] rate of growth of output and the rate of growth of inputs.
- [4] golden rule level of consumption and the steady state level of consumption.
- [5] none of the above.

1.20 Assuming that the Gini coefficient for Egypt is 0.403 and the Gini coefficient for Australia is 0.404, it is possible to conclude that both Egypt and Australia have virtually the same

- [1] number of households in absolute poverty.
- [2] percentage of households in absolute poverty.
- [3] of the Human Development Index.
- [4] Head Count Index.
- [5] none of the above.

Study the illustration below and answer the questions 1.21, 1.22 and 1.23



1.21 The diagonal line that runs from corner to corner the

- [1] line of Gini coefficients.
- [2] line of perfect inequality.
- [3] line of employment.
- [4] actual Lorenz curve.
- [5] line of perfect equality.

1.22 Sixty per cent of households earn approximately

- [1] 60% of total income.
- [2] 37,4% of total income.
- [3] 80% of total income.
- [4] 10% of total income.
- [5] 8,1% of total income.

1.23 If the Lorenz curve bowed in more than on this graph, it would indicate that income would have

- [1] become more equal among households.
- [2] increased.
- [3] decreased.
- [4] become less equal among households.
- [5] decreased for household groups.

1.24 A Gini coefficient of zero means that the:

- [1] income is equally distributed.
- [2] all the income is received by the top 20% of the income distribution.
- [3] one person has all the income and everyone else has nothing.
- [4] the income is split equally between the top 20% and the rest of the distribution.
- [5] none of the above

1.25 The poverty gap is the

- [1] absolute number of people below the international poverty line.
- [2] percentage of the population below the international poverty line.
- [3] percentage of a country's total consumption necessary to bring everyone in the country living below the poverty line, up to the poverty line.
- [4] consumption (measured in dollars) necessary to bring everyone living below the poverty line up to the poverty line.
- [5] none of the above.

1.26 The dependency ratio is the ratio of

- [1] children to adults in the population.
- [2] unemployed workers in the labour force.
- [3] foreign aid to total GNP.
- [4] non-working age group of the population.
- [5] deaths among children between birth and 5 years of age.

1.27 Malthus argued that the poor would always remain poor because

- [1] population growth tends to outrun growth of food production.
- [2] they do not save enough.
- [3] there is no technological progress.
- [4] there is not enough resources to educate them.
- [5] labour saving technological progress.

1.28 Children have costs and benefits to parents, and

- [1] the impact on family is always negative, so children can be viewed as consumer durables.
- [2] fathers and mothers share these equally.
- [3] there is a trade-off to parents between quantity and quality of children.
- [4] the income elasticity of demand for children is strongly negative.
- [5] none of the above

1.29 Compared to the developed countries, the LDCs have

- [1] higher birth rates and lower death rates
- [2] lower birth rates and higher death rates.
- [3] higher birth rates and higher death rates.
- [4] lower birth rates and lower death rates.
- [5] constant birth rates and constant death rates.

1.30 The total fertility rate (TFR) is the

- [1] total number of children born in a country in a given year divided by the labour force.
- [2] deaths among children between birth and 5 years of age per 1000 live births.
- [3] number of children born to the average women during her reproductive years.
- [4] number of births in a country divided by total population in a given year.
- [5] number of women age 15-45 in a country divided by total population.1.30

The following questions are for information purposes and does not count any marks.

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- [1] No.
- [2] Yes and I paid less than a R1 000 for the tuition.
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1.33 If **broadband access** to the WWW is a prerequisite to study this module I would ...

- [1] not be able to do the module.
- [2] be able to spend 0-1 hours per week on-line.
- [3] be able to spend 1-2 hours per week on-line.
- [4] be able to spend more than 2 hours per week on-line.

1.34 Which one of the following best describes your use of the CDROM?

- [1] I did not use it at all because I did not receive it.
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- [1] Yes.
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- [5] I visited it extensively.

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- [4] I visited it regularly.
- [5] I visited it extensively.

1.40 Which one of the following best describes your experience with the services of the e-tutor?

- [1] I find it extremely helpful.
- [2] I find it fairly helpful.
- [3] I find it helpful.
- [4] I did not find it very helpful.
- [5] I did not find it helpful at all.

End of assignment 01

Please see the self-assessment assignments at the end of tutorial letter 101.

ECS3707	Semester 2
Compulsory Assignment 03	
Study Unit	5 to 8
Due date	24 September 2015
Unique number	606835

This assignment contributes 60% towards your semester mark. Remember: To gain admission to the examination Assignment 01 must be submitted on or before the due date. Please ensure that this assignment reaches the University on or before the due date.

Assignment 03 consists of 20 multiple choice questions. These 20 questions (i.e. numbers 3.1 to 3.20) of this assignment are based on study units 5 to 8 in the study guide.

3.1 Which of the following statements are not true?

- [1] Education is important for the formation and training of health personnel.
- [2] Death of school-age children also increases the cost of education per worker.
- [3] Longer life spans raise the return to investments in education.
- [4] Education does not affect childbearing years.
- [5] Health is an important factor for school attendance.

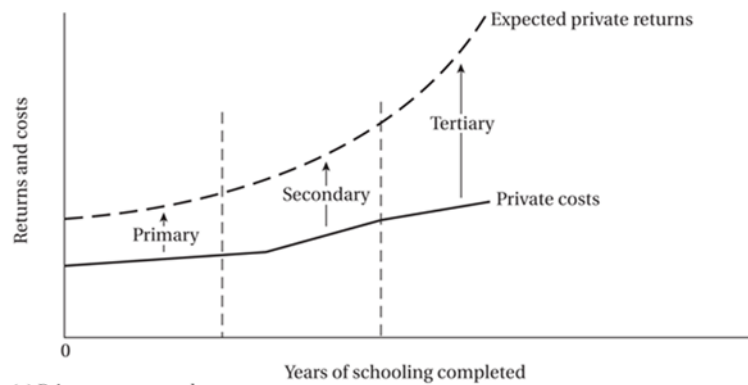
3.2 Sources of productivity growth can come from

- [1] more capital used in production activities.
- [2] investment in human capital.
- [3] technological advances.
- [4] health.
- [5] all of the above

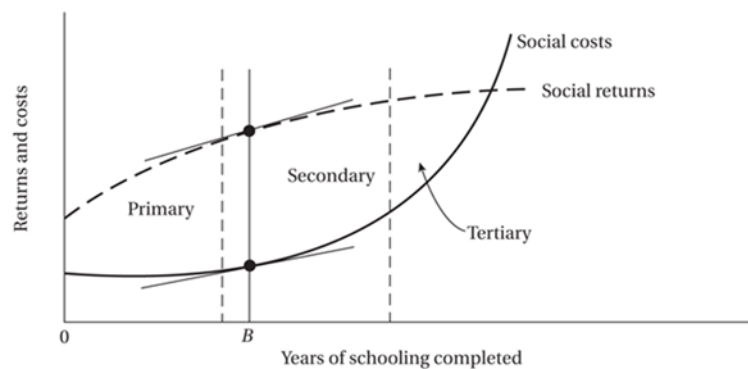
3.3 The phenomenon by which particular jobs require specific levels of education is known as

- [1] the social impact of education.
- [2] educational certification.
- [3] educational distribution.
- [4] basic primary education.
- [5] adult literacy rate.

Study the illustration below and answer the questions 3.4, 3.5 and 3.6



(a) Private returns and costs



(b) Social returns and costs

3.4 Typically in a developing country, the social cost of education

- [1] indicates that only those who can afford it would receive it.
- [2] do not always measure the same benefits and cost of society.
- [3] are associated with external benefits and cash transfer programs.
- [4] increase rapidly as students climb the educational ladder.
- [5] decrease rapidly as students climb the educational ladder.

3.5 The rapid increase in the marginal social cost of post primary education is a result of the

- [1] less expensive capital and recurrent cost of higher education.
- [2] more expensive capital and recurrent cost of higher education.
- [3] more expensive labour augmenting technological progress.
- [4] less expensive labour augmenting technological progress.
- [5] none of the above

3.6 Comparing the cost and benefits, both private and social, of education leads to economists conclusion that the

- [1] social optimal strategy would be to focus on primary education.
- [2] privately optimal strategy would be to focus on private education.
- [3] privately optimal strategy would be to focus on secondary education.
- [4] privately optimal strategy would be to focus on secondary education.
- [5] social optimal strategy would be to focus on tertiary education.

3.7 Induced migration can be defined as

- [1] the process in which the creation of urban jobs raises expected incomes and induces more people to migrate to cities.
- [2] the value of a set of social institutions and norms, including cooperative behaviours.
- [3] an area with relatively high population density that contains a set of closely related activities.
- [4] as programmes of integrated rural development that operates on the demand side of the economy.
- [5] an action taken by one agent that decreases the incentives of other agents to take similar actions.

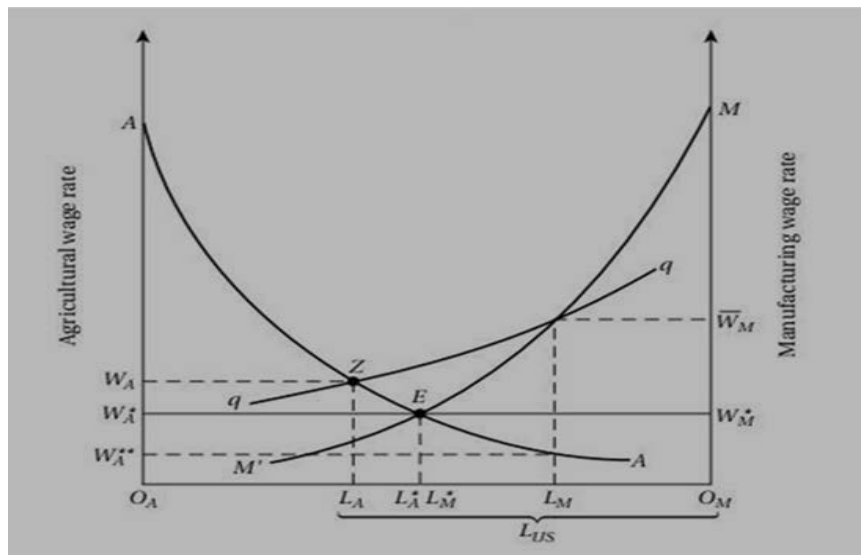
3.8 Which of the following best describes a “push factor” that would cause rural people, of developing countries, to leave their farms and migrate to cities?

- [1] Decreasing land cost for farmers.
- [2] Job opportunities in the manufacturing sector.
- [3] Access to services and education opportunities in cities.
- [4] Guest worker policies in the developed world.
- [5] Civil war and armed conflict.

3.9 The simplest explanation based on Lewis’s model for rural urban migration is

- [1] that people migrate when urban wages exceed rural wages.
- [2] a higher than expected income in rural areas.
- [3] better infrastructure in urban areas.
- [4] the availability of labour intensive jobs in urban areas.
- [5] the introduction of minimum wages.

Study the following graph to answer questions 3.10, 3.11 and 3.12



3.10 According to The Todaro Migration Model

- [1] migrants calculate future value of urban expected income and stay if it exceeds average rural income.
- [2] marginal cost equals marginal revenue and migrants move when equilibrium occurs.
- [3] agglomeration and localisation occurs in the economy.
- [4] migrants calculate present value of urban expected income and move if it exceeds average rural income.
- [5] none of the above

3.11 Harris-Todaro model is related to

- [1] growth and unemployment.
- [2] growth and migration.
- [3] unemployment and migration.
- [4] unemployment and inflation.
- [5] none of the above

3.12 In a non-Harris-Todaro world which choice of techniques is likely to reduce poverty if it is observed that poverty is highly correlated to unemployment.

- [1] Labour intensive techniques
- [2] Capital intensive techniques.
- [3] Profit maximisation techniques.
- [4] Natural technological progress.
- [5] none of the above

3.13 Which of these statements about MNCs is FALSE?

- [1] Most MNCs have a world management system based on subsidiaries in each state in which they operate.
- [2] MNCs generally do not reflect state interests
- [3] MNCs contribute to global interdependence.
- [4] The power of MNCs rivals that of the largest states in the international system.
- [5] MNCs are a strong force for liberalism in the world economy.

3.14 Foreign aid sometimes referred to as official development assistance is

- [1] humanitarian aid by non-governmental organisations for example, Amnesty International, Project Hope and the WWF.
- [2] financial investment by corporations and pension funds for example, Oxfam, Africare, and World Vision.
- [3] investments by multinationals in other countries for example, Doctors without Borders, Habitat for Humanity and Project Hope.
- [4] official public aid for example, a long term loans: 10-20 years, concessional, i.e. below commercial interest rates which is repayable in domestic or foreign currency.
- [5] all of the above

3.15 When MNC's artificially inflates the price it pays for intermediate products purchased from abroad in an effort to lower stated local profits and pay lower taxes, the MNC is said to be practicing

- [1] portfolio pricing.
- [2] least-squares pricing.
- [3] average cost pricing.
- [4] foreign exchange gap pricing.
- [5] transfer pricing.

3.16 Which of the following is usually considered a key factor influencing the choice and mix of finance for international operations?

- [1] Unsystematic risk
- [2] Counterparty risk
- [3] Basis risk
- [4] Commercial risk
- [5] Currency risk

3.17 Which of the following is not a common reason for failures of economic plans in developing countries?

- [1] Conflict, post conflict and fragile states
- [2] Insufficient data
- [3] Lack of political will
- [4] Unanticipated economic disturbances, external and internal
- [5] all of the above

3.18 Which of one following institutional requirements apply for the operation of effective private markets?

- [1] Rationality constrained by tradition
- [2] Restriction on freedom of information
- [3] Restriction on the flow of information
- [4] Security of persons and property
- [5] Monopolies and monopolistic competition

3.19 The Post-Washington Consensus: Development after the Crisis," the development model put on trial by the global financial crisis was the

- [1] capitalist model.
- [2] emerging-market model.
- [3] neoliberal model.
- [4] Keynesian demand-management model.
- [5] none of the above

3.20 As defined in "The Post-Washington Consensus: Development after the Crisis," the assumption that developing countries benefit substantially from greater inflows of foreign capital is known as

- [1] foreign-finance fetish.
- [2] global economic volatility.
- [3] the EU's version of capitalism.
- [4] the American version of capitalism.
- [5] social disruption

☞ End of assignment 03 ☞

Please see the self-assessment assignments at the end of tutorial letter 101.

ECS3707	Semester 01 and 02
Self-Assessment Assignment 02	
Study Unit	1 to 4

Assignment 02 consists of four questions. The questions are based on the contents of **study units 1 to 4** in the study guide. They are typical examination questions but need not necessarily feature in the examination.

Question1

- 1.1 Explain the traditional meaning of development and indicate how development was measured. [6]
- 1.2 Make a cross country comparison of the HDI and its components. Your comparison should include Australia, Tunisia, China, Ghana and Ethiopia. Your answer should refer to health, labour productivity and income levels. See page 12 of your Study Guide [14]

Question 2

- 2.1 Discuss and evaluate graphically the Solow neoclassical growth model. [8]
- 2.2 Explain what experiences of the 1950's and 1960's led to the new economic view of development. What was the new definition that flowed from this realization? [8]
- 2.3 Describe the concept endogenous growth. [4]

Question 3

Answer the following questions regarding poverty, inequality and development.

- What measures of income poverty are favoured by developing countries?
- What is the purpose of the Lorenz curve and Gini coefficient?
- Why should we be concerned with the measurement of poverty in developing countries?
- What is the measurement of absolute poverty by means of the headcount measure, the headcount index and the poverty gap? [20]

Question 4

- 4.1 What is the relationship between the age structure of a population and its dependency burden?
Your answer should reflect on life expectancy at birth, mortality rates and dependency ratios. [10]
- 4.2 Explain the consequences of population growth. [10]

TOTAL: [80]

ECS3707	Semester 01 and 02
Self-Assessment Assignment 04	
Study Unit	5 to 8

Question 1

- 1.1 Define the concept agglomeration economies. [3]
- 1.2 Explain the role of cities in terms of, social capital, urban economies and localization. [6]
- 1.3 Discuss the policy implications of the Todaro migration model. [6]

Question 2

- 2.1 Explain the financial trade-offs involved in the choice whether or not to receive education beyond secondary level. Use a diagram to illustrate your answer. [10]
- 2.2 Explain how health and nutrition affect employment, productivity and wages. [5]

Question 3

Argue for and against foreign direct investment (FDI) from a developing country's point of view. [15]

Question 4

- 4.1 Discuss the role and limitations of markets [7]
- 4.2 Explain the impact of corruption in developing countries and outline strategies to reduce it. [8]

TOTAL: [60]