

Economics 355 Mid-term

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Name _____

ID # _____

Tutor's Name _____

Instructions: You have exactly 50 minutes. No paper will be accepted after 50 minutes. You may use one aid, a 3X5 data card for your country.

Part A: True, False or Uncertain: Select first true, false or uncertain, this is worth 1 point. 4 points for reason to be placed in section below question. Answer all.. Use information from your country when appropriate. **Total 30 points Each worth 5 pts.**

1. Education is one of the key tools for development. However, poor countries invest too much in post-secondary education and not enough in literacy training. True Why?

The social rate of return from literacy is very high but not recognized by govt. However the private rate of return on post-secondary education is high do to subsidy but the social rate of return on post-secondary is low.

2. In the labour surplus model the transformation of the economy will only occur if the marginal product of agricultural labour is close to zero, and the wage paid in the industrial sector is approximately equal to the subsistence agricultural wage. Uncertain Why?(Illustrate with the aid of diagrams why this statement is true or not).

3. The Malthusian population low level equilibrium trap can be avoided if technical change allows per capita income to always exceed the growth in population. True Why? Illustrate with a diagram

4. Your country gets a relatively low ranking for the Human Development Index of _____. Canada gets a higher ranking because Canada has higher per capita income level. ____ Why?

5. Remittances from Mexicans living in the United States will always exceed remittances from Canadian immigrants because Mexicans have greater earnings in the United States. _____ Why?

6. A Brain Drain from your country is good for the individual immigrant and the sending country. _____ Why?

Part B: Multiple Choice: Select the Best answer and circle your choice. Each question worth 5 points. Total 30 points. 5 points per question

1. Per capita income is a poor indicator of your country's level of development because
 - a. Difficulty in converting your country's income into US dollars
 - b. Under counting of non-tradables in the barter portion of your country's economy
 - c. It does not indicate the size distribution of income in your country
 - d. all of the above
 - e. All but one of the above

2. History tells us that current developed countries

- a. Grew for 50 years at 2.5% per capita income per annum
- b. Had savings rates in excess of 20% annually for 50 years
- c. Experienced declining population growth rates. .
- d. All of the above.
- e. All but one of the above

2. Human capital investment model can explain migration if:

- a. If the costs of movement are zero
- b. If the benefits of movement are positive
- c. If the costs of movement are less than benefits derived from movement
- d. All of the above.
- e. All but one of the above

4. The Gini coefficient provides a measure of

- a. The level of poverty.
- b. The level of relative inequality.
- c. Disguised unemployment.
- d. The rate of growth.
- e. All of the above
- f. All but one of the above

5. Which of the following would most likely reduce the birthrate?

- a. Public health improvements
- b. An increase in child mortality
- c. A decline in the availability of secondary education
- d. A reduction in the opportunity cost of a woman's time
- e. All of the above.
- f. All but one of the above

6. Chinese economic development results from

- a. High agricultural prices
- b. Massive inflows of foreign direct investment
- c. An undervalued foreign exchange rate
- d. Export led growth
- e. All of the above
- f. All but one of the above

Part C : Essay Write in clear and legible sentences and not in bullet form.

You have been asked by your boss, Mr. Peter Harder who heads Canada's aid programme (CIDA) to outline an argument to justify why your country is deserving of a portion of Canada's \$10 billion aid package. Using one economic, social, demographic indicator outline a case for your country. The basic components in this argument are;

1. A clear description, which outlines why your country is poor, but deserving. This would involve use of one economic, social and demographic indicator. State exactly what the indicators are; for example health would be life expectancy, infant mortality rate, etc and their values.
2. Outline what specific forms of aid to alleviate what are the weak points of your economy as noted in your indicators. For example, my country has a high infant mortality rate; this would imply that it is poor but that health aid could alleviate this problem. Use at least four types of aid: education, health, agricultural, policing, water, resource conservation, etc. to illustrate your country's specific needs.
3. Conclusion: Tie together your indicators, your country's plight and a full description of the aid package in the final paragraph and make a recommendation to Peter Harder. The recommendation is for a specific form of aid, for a specific period of time and for a specific amount

Use 250 word maximum. **Write in clear and legible sentences and not in bullet form.**

Total 40 points. Content 30 points, 10 points for essay structure.

