

UNIVERSITY COLLEGE LONDON

EXAMINATION FOR INTERNAL STUDENTS

MODULE CODE : ECON7010

ASSESSMENT : ECON7010A
PATTERN

MODULE NAME : Economics of Development

DATE : 28 April 2016

TIME : 2:30 pm

TIME ALLOWED : 2 hours

This paper is suitable for candidates who attended classes for this module in the following academic year(s):

2015/16

UNIVERSITY COLLEGE LONDON

SUMMER TERM 2016

ECON7010: ECONOMICS OF DEVELOPMENT

TIME ALLOWANCE: 2 HOURS
CALCULATORS ARE ALLOWED

Answer 5 questions from part A and 2 questions from part B.

Questions from part A carry 10 per cent of the total mark each and questions from part B carry 25 per cent of the total mark each.

In cases where a student answers more questions than requested by the examination rubric, the policy of the Economics Department is that the student's first set of answers up to the required number will be the ones that count (not the best answers). All remaining answers will be ignored.

PART A

For each of the following statements briefly discuss the truth or falsehood of the claims made.

1. Underdevelopment is multidimensional but a useful way to start analysing its roots is via distinguishing between proximate and fundamental causes as the only proximate cause is lack of physical capital and the only fundamental cause is low human capital.
2. When studying the income dimension of underdevelopment the standard neoclassical framework predicts a path towards complete stagnation : income per head approaches infinitesimal levels when depreciation is always greater than savings.
3. Developing nations greatly benefited from the 20th Century epidemiological transition as this brought about considerable improvements in health and income per head.
4. In order to increase educational attainment for enhanced productivity and wages in developing countries it suffices to inform primary school students about the high economic rewards to post-primary education completion.
5. Foreign aid is potentially effective in lifting the standards of living of millions of individuals living in poverty provided recipient foreign aid countries' governments have already laid out "good policies".

PART B

6. The passage from rural to industrial societies is often perceived as key to economic development. Carefully explain the main insights of the Lewis and the Harris-Todaro two-sector models. Can savings and investment spur economic development? Explain your answer through the lens of recent findings.
7. Angus Deaton asks: Why should children die in poor countries when they would not die if they had been born in rich countries? Spell out Deaton's own answer, and carefully explain whether Abhijit Banerjee and Esther Duflo would deliver the same answer to Deaton's question.
8. Draw a diagram to explain investment and returns to education, and carefully explain how researchers identify empirically whether investments in education yield high returns in terms of educational attainment and wages in a developing country. Is the quality of education increasing proportionally with higher levels of educational attainment? Carefully explain your answer and pin-down recent randomized control trial findings.
9. Deliver a detailed explanation of Malthus's and Solow's view on how and why population growth is detrimental to economic development, and comment on the merits of the following statement: "The recent relaxation of the one-child policy in China is impossible to comprehend."
10. Low-income households are affected by credit and saving constraints. Carefully explain why group-lending microcredit can enhance efficiency and equity, and how Microfinance institutions can potentially promote micro-savings. Is there a particular reason why microcredit and micro-saving charitable institutions focus on women household heads? Explain your answer.
11. Comment on the merits of the following statement: "It is not adverse geography but institutional legacies and the persistence of such legacies dating back to the 1500s which explain economic underdevelopment today." Does the use of the *mita* system of production imposed by the Spanish colonizers explain why *mita*-stricken regions today are less developed when compared to regions where the *hacienda* system of production prevailed?