



**DEPARTMENT OF ECONOMICS AND
ECONOMETRICS**

**KINGSWAY CAMPUS
FINAL ASSESSMENT
NOVEMBER 2016**

Course: Economics 2E

Date : November 2016

Time : 2 Hours

Mark : 100

Assessor: Ms A Ohonba

Moderator: Dr T Greyling

Instructions:

1. This paper consists of 10 pages.
2. Please answer ALL questions in the spaces provided, neatly and clearly.
3. Please write your name and student number clearly on each page of this exam paper.

Surname																			
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Initials			
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Student number									
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	Marks	Total
1		10
2		10
3		15
4		10
5		15
6		15

	Marks	Total
7		10
8		15
Total		100

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Student Number: _____

QUESTION 1

[10]

Within the context of Development Economics, explain briefly what is meant by the following terms.

	Terminology	Explanation
1	Human Development Index	
2	Convergence	
3	Urbanization economies	
4	Economic institutions	
5	Tied aid	

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QUESTION 2

[10]

- (i) Distinguish clearly between *Economic growth* and *Economic development*. (4)

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- (ii) The position of developing countries is in many important ways significantly different from that of the currently developed countries when they embarked on their era of modern development growth. Explain briefly any three of these differences. (6)

QUESTION 3

[15]

- (i) The International Dependence Revolution postulates that developing countries face institutional, political and economic rigidities. Discuss briefly, two of these models - 'The Neo-colonial Dependence model' and 'The False-Paradigm model' (10)

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Neo-colonial Dependence Model : (5 Marks)

False-Paradigm model: (5 Marks)

(ii) Consider a Solow growth model with the following production function:

$$Y = K^{0.5}(AL)^{0.5}$$

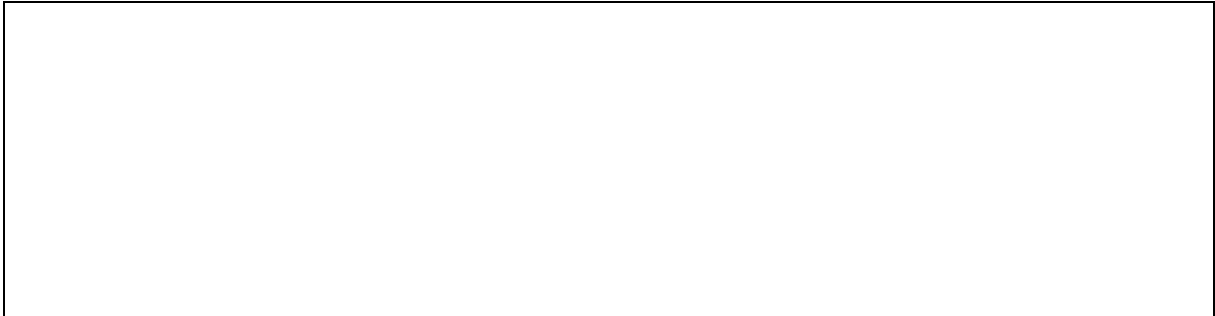
where Y is output, K is the capital stock, L is labour, and A is a measure of labor productivity.

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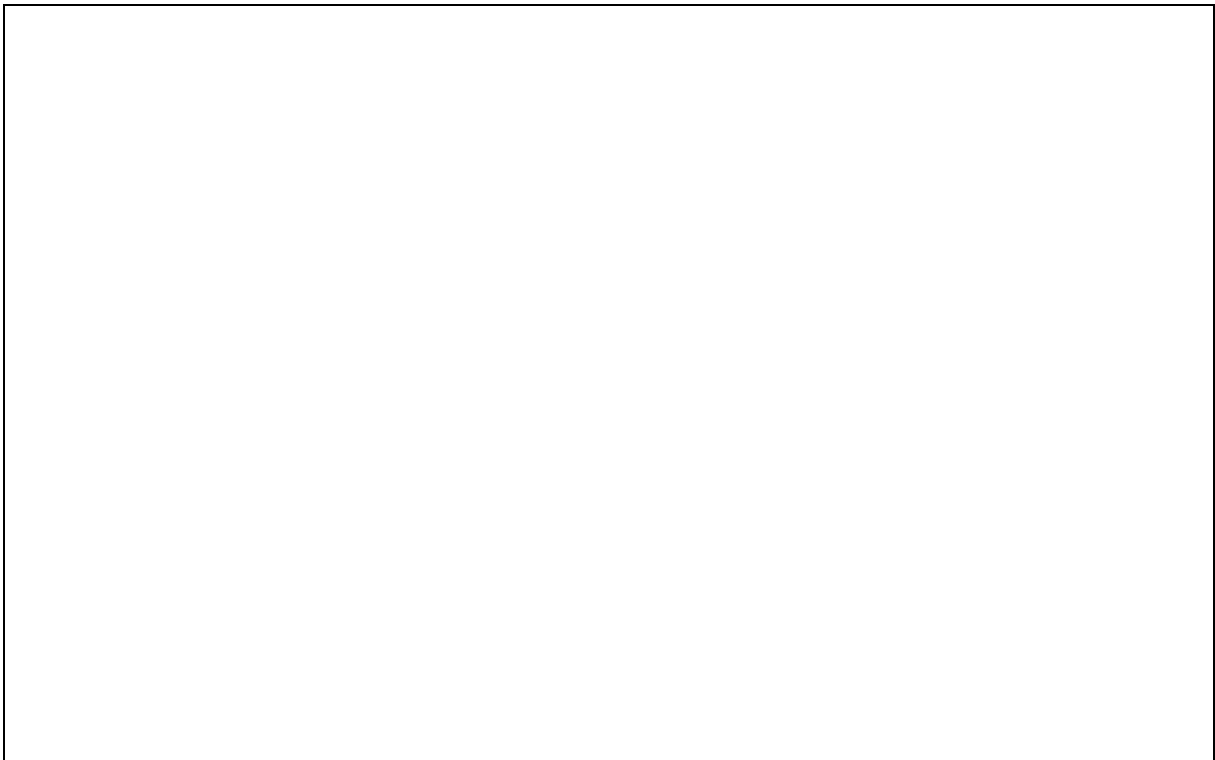
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If $A = 2$, $L = 20,000$, and $K = 400$.

- (a) Calculate the output. (3)



- (b) Assuming that capital increases by 5%, by how much does output increase? (2)



QUESTION 4

[10]

Illustrate graphically and state any five assumptions of 'The Big Push model'

Diagram: (5 marks)



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Assumptions: (5 marks)

QUESTION 5

[10]

- (i) The Gini coefficient has the distinct advantage over most other measures of inequality satisfying four desirable properties of an inequality measurement. List and describe these **four desirable properties**. (8)

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Student Number: _____

(ii) Distinguish clearly between the *size* and *functional* distributions of income.

(4)

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(iii) List the three indicators used to compile the Multidimensional Poverty Index(MPI). (3)

QUESTION 6

[15]

(i) With regards to the Microeconomic theory of fertility, state the 'Demand for children equation' and identify each of the variables. (5)

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Student Number: _____

(ii) Illustrate graphically and explain 'The Harris-Todaro model' of migration (10)

Diagram:(5 marks)

Explanation:(5 marks)

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Student Number: _____

QUESTION 7

[10]

Physical security is the foundation for human capability. Yet violent conflict (war) has held back progress in many of the poorest economies in the world. Discuss any five (5) broad consequences of 'Armed Conflict' in developing countries.

	Consequences of armed conflict
1	
2	
3	
4	
5	

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Student Number: _____

QUESTION 8

[15]

- (i) Summarize any five arguments in support of Foreign Direct Investment (FDI) in developing countries (10)

- (ii) With respect to Human capital, what are the factors that determine the demand and supply of education? (5)

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