

DEVELOPMENT AND ENVIRONMENTAL ECONOMICS

1. What is a paradigm?
 - a) It is a diagram of development.
 - b) It is the way development takes place.
 - c) **It is a thinking model providing a holistic picture of a process involving a network of inter-relationships.**

2. Paradigm thinking is necessary to
 - a) **avoid dealing with isolated factors of development**
 - b) help analyzing cause and effect of phenomena
 - c) identify urgent action

3. Economic growth is not a sufficient condition of development, because
 - a) it does not help poverty reduction
 - b) a country must also have an educated workforce
 - c) **there are several other aspects of development**

4. Economic growth is pivotal, because
 - a) it is easier to achieve than the other aspects of development
 - b) **it has a symbiotic link with the other aspects of development**
 - c) it helps generate savings for investment

5. GDP is not a sufficient indicator of development because,
 - a) some economic activities are left out of the calculation
 - b) large countries have bigger GDP
 - c) **it does not reflect how income is distributed**

6. GDP per capita is a useful indicator because,
 - a) **it helps inter country comparison of living standards**
 - b) it helps to understand what each individual earns in a country
 - c) it is a better indicator than total GDP

7. To make GDP per capita internationally comparable,
 - a) they must be calculated in US\$
 - b) they should be calculated in the strongest international currency
 - c) **they can be calculated in any currency adjusted for purchasing power in different countries.**

8. The Lorenz curve is a good indicator of development since it tells you
 - a) the percentage of poor people in a country
 - b) **the degree of inequality of income distribution**
 - c) the quality of life in a country

9. The Gini Coefficient is a better indicator of income distribution, because
 - a) **it helps inter-country comparison**
 - b) it is more accurate than the Lorenz Curve
 - c) it is easier to calculate

10. The Gini Coefficients' of three countries are given below. Which among these has the best income distribution?

- a) Malaysia 49.2
- b) China 44.7
- c) **India 32.5**

11. Regional disparities of income in Sri Lanka is a result of

- a) different levels of poverty
- b) differences in education standards
- c) **differences in investment**

12. Which factor in your opinion affects the level of investment in a region most?

- a) Lack of skilled labor
- b) Lack of managerial talent
- c) **Lack of infrastructure**

13. Regional Poverty head count (percentage) refers to

- a) **the number of poor people in a region as a percentage of the population in the region.**
- b) the number of poor people in a region as a percentage of the total population in the country.
- c) none of the above.

14. It is important to know what percentage of the poor in the country resides in each region. The indicator for this purpose in each region is

- a) the poverty head count
- b) **regional poor as a percent of the total poor in the country**
- c) the percent of the population of the country

15. Empowerment of women benefits the whole country because,

- a) **it contributes to economic growth in general**
- b) women are better workers
- c) it is a fundamental human right

16. Amartya Sen said that human freedom has both a 'constitutive role' and an 'instrumentive role'. What he meant was that

- a) it is a fundamental human right
- b) **it is both a component of and a means to development**
- c) it promotes development

17. Social harmony is important because

- a) it promotes development
- b) **social harmony and economic growth reinforce each other**
- c) it attracts foreign investment

18. Environment protection

- a) adversely affects economic growth
- b) **promotes sustainable development**
- c) exacerbates poverty

19. Health and Education are both important components of development, because

- a) their improvement helps economic growth
- b) they play both a 'constitutive role' and an 'instrumentive role'
- c) **as in the case of Amartya Sen's definition of Freedom.**
- d) they are both fundamental human rights

20. The HDI is a better index of development because,

- a) GDP growth is not sufficient
- b) it covers reduction of poverty
- c) **it covers income, health and education aspects of development**

21. GDP index is calculated using GDP per capita adjusted for purchasing power parity, because

- a) countries have different inflation rates
- b) the US\$ is losing its value
- c) **cost of living varies among countries**

22. The HDI is an inadequate index of development, because

- a) **it is an oversimplified interpretation of the human development concept**
- d) it does not cover economic growth

23. The Gender Development Index is an inadequate index of the empowerment of women, because

- a) **it covers only aspects that could be quantified**
- b) does not cover administrative, managerial and political status of women
- c) does not indicate health and educational status of women

24. The Millennium Development Goals are an improvement on the HDI in terms of giving concrete expression to the concept of development but has its weaknesses, because

- a) **there is too much emphasis on quantitative targets**
- b) they do not cover human resource development
- c) they ignore the need for sustainable development

25. Which of the following are not third-world regions?

- a. Latin America.
- b. Asia.
- c. Africa.
- d. Australia.**

26. Which of the following countries are not newly industrialized countries (NICs)?

- a. Taiwan.
- b. North Korea.**
- c. Singapore.
- d. Hong Kong.

27. Which country is not a transitional economy?

- a. China.
- b. Russia.
- c. Hungary.
- d. Mexico.**

28. Development economics focuses primarily on the poorest _____ of the world's a. population.

- a. two-thirds.**
- b. one-third.
- c. 28 percent.
- d. 5 percent.

29. The poorest region of the world is

- a. the Middle East.
- b. sub-Saharan Africa.**
- c. Asia.
- d. Latin America.

30. Of the world's population, what portion lives in developing countries?

a. approximately 35%.

b. approximately 80%.

c. nearly 10 billion people.

d. less than 1 billion people.

31. In which of the following countries would you expect material lifestyles to be most like those in the United States?

a. Nigeria.

b. Japan.

c. India.

d. Mali.

32. Which of the following could be considered critical questions in development economics?

a. How do the poorest 2/3 of the world live?

b. What are the major theories of economic development?

c. What factors affect labor skills in the third world?

d. all of the above are correct.

33. Which of the following characteristics are most likely found in developing countries?

a. high population growth rates.

b. large number of people living in poverty.

c. very traditional methods of agricultural production.

d. all of the above

e. none of the above

34. Which of the following could not be considered a major economic system?

a. capitalism.

b. communism.

c. socialism.

d. physical quality of life index.

e. none of the above.

35. All of the following are high-income countries except

a. Singapore

b. U.K

c. Japan

d. South Africa

36. Which of the following countries is not a low-income country?

a. Indonesia

b. India

c. Malaysia

d. Nigeria

37. Economic development refers to

a. economic growth.

b. economic growth plus changes in output distribution and economic structure.

c. improvement in the well-being of the urban population.

d. sustainable increases in Gross National Product.

38. If GNP for Vatican City, the smallest country in the world is 200 million Euros in year 2001 and its population is 890, GNP per capita is

- a. 2000 - 890
- b. 200/ 890
- c. 200,000,000 / 890**
- d. 200

39. If GDP for Palau a small country near southeast of the Philippines is \$130 million in 2002 and its population is 20,000, GDP per capita is

- a. 6500**
- b. 130
- c. 0.0065
- d. 650

40. If GNP per capita at constant prices for Ghana is US\$360 and US\$364 in 1996 and 1997 respectively, the real economic growth from 1996 to 1997 is

- a. 4%
- b. 1.11%**
- c. 0.011%
- d. 11%

41. If GDP for Maldives is \$435 million in 2002 and the GDP per capita is \$1576.087, the population of the country must be

- a. 276,000**
- b. 1576.086
- c. 0.276
- d. 3.623

42. The formula to calculate economic growth from 2001 to 2002 is given by

- a. $[(GDP_{2002} + GDP_{2001}) / GDP_{2001}] * 100$
- b. $[(GDP_{2002} - GDP_{2001}) * GDP_{2001}] * 100$
- c. $[(GDP_{2002} - GDP_{2001}) / GDP_{2001}] * 100$**
- d. $[GDP_{2001} - GDP_{2002}] * 100$

43. Which of the following countries is not a low-income country?

- a. Ethiopia
- b. Rwanda
- c. Somalia
- d. Singapore**

44. All of the following are high-income countries except

- a. the United Kingdom.
- b. Singapore.
- c. Japan.
- d. Hungary.**

45. Which of the following country is not a high-income country?

- a. Canada.
- b. United States.
- c. Mexico.**
- d. Australia.

46. All of the following are low-income countries except

- a. United Arab Emirates.**
- b. Armenia.

- c. Sudan.
- d. Bangladesh.

47. One classification of development levels used by the World Bank divides countries into three groups on the basis of GNP per capita. They are

- a. NIC, OPEC and G7
- b. Low-income, middle-income and high-income**
- c. Southeast, Northeast and Southwest
- d. Asia, America and Europe

48. The World Bank's GNP per capita classification for low-income, middle-income and high income countries respectively is

- a. less than \$900, \$900-\$9,000 and more than \$9,000.**
- b. less than \$5,000, \$5,000-\$15,000 and more than \$15,000.
- c. less than \$100, \$100-\$1,000 and more than \$1000.
- d. less than \$50,000, \$50,000-\$150,000 and more than \$150 000.

49. OPEC is the

- a. Organization of Petroleum Exporting Country.**
- b. Organization of Pre- European Commission.
- c. Oil Producing Economies Caucus.
- d. Organization of Problematic Economies Committee.

50. Which of the following is *not* a problem in comparing developed and developing countries' GNP?

- a. GNP is understated for developed countries, since a number of items included in their national incomes are intermediate goods**
- b. The economic contribution of a housewife in a peasant family may not be measured in GNP in poor country.
- c. GNP is understated for developing countries since many of their labor-intensive good have no impact on exchange rate since they are not traded.
- d. GNP is overstated for countries where the price of foreign exchange is less than market clearing price.

51. PPP is

- a. a theory that tells us that exchange rates between currencies are in equilibrium when their purchasing power is the same in both countries.**
- b. GDP divided by exchange rate.
- c. a measure of income inequality.
- d. a measure of infant mortality in developing countries.

52. The Physical Quality of Life Index (PQLI) combines three indicators. They are

- a. infant mortality, life expectancy and adult literacy rate.**
- b. crime rate, clean environment and quality of housing.
- c. air pollution rate, water pollution rate and sanitation.
- d. health, education and environment.

53. Infant mortality

- a. is defined as the annual number of deaths of infant under 1 year old per 1,000 live births.**
- b. reflects the availability of primary education, the rights of employment and social security.
- c. is life expectancy up to age 3.
- d. reflects the availability of hospitals and childcare facilities, and the parents' wealth.

54. Infant Mortality, Life Expectancy and Adult Literacy Rate are the welfare indicators of:

- a. Purchasing Power Parity.

b. Physical Quality of Life Index.

- c. Human Development Index.
- d. The Laspeyres index.

55. The Human Development Index (HDI) summarizes a great deal of social performance in a single composite index, combining

- a. disparity reduction rate, human resource development rate and the composite index.

b. longevity, education and living standard.

- c. minimum schooling, adult literacy and tertiary educational attainment.
- d. human resource training, development and R&D.

56. Longevity is a proxy for _____ in the Human Development Index

a. health and nutrition.

- b. living standard
- c. infant mortality
- d. Purchasing Power Parity

57. Which of the following is *not* one of the Newly Industrialized Countries (NICs)?

a. Japan

- b. South Korea
- c. Taiwan
- d. Singapore

58. Which of the following statement is not true about LDCs?

- a. Most LDCs have less than 1/10 the per capita GNP of the U.S.
- b. A greater share of GNP would have to be devoted to education to attain the same primary enrollment rates as in the U.S.

c. Setting up western labor standard and minimum wages in labor-abundant LDCs is sensible.

- d. Most LDCs have a greater shortage of qualified teachers than the U.S. does.

59. Imitating labor standards from rich countries in LDCs may increase

- a. equality.

b. poverty.

- c. employment.
- d. human development.

60. Which of the following did Mahatma Gandhi, non-violent politician and leader of India's nationalist movement, *not* advocate?

- a. village economic development.
- b. handicraft production and labor-intensive technology.

c. centralized decision making.

- d. reduction of material wants.

61. How has the relative gap between GNP per capita for Western Europe and GNP per capita for African less-developed countries changed from the late nineteenth century to the present?

- a. declined.

b. increased.

- c. remained the same.
- d. cannot be determined.

62. Keiretsu refers to

a. groups of affiliated companies loosely organized around a large bank.

- b. horizontal manufacturing groups consisting of a core company and its partners.

- c. state assisted entrepreneurs.
- d. financial cliques.

63. Asian tigers or newly industrializing countries (NICs) of East and Southeast Asia include the following except

- a. South Korea.**
- b. China.
- c. Taiwan.
- d. Singapore.

64. During the first twenty-five years after World War II, industrialization in Korea and Taiwan benefited from the following except

- a. Japanese collaboration.**
- b. United States aid.
- c. capital inflows.
- d. rapidly growing demand for manufactured goods in Asia.

65. The 1993 World Bank study entitled The East Asian Miracle (1993) identifies eight high performing Asian economies. Which of the following is not one of them?

- a. Japan.
- b. Four tigers.
- c. Vietnam.**
- d. Thailand.

66. Korea's keiretsu-like corporate conglomerates is known as

- a. zaibatsu.
- b. chaebol.**
- c. laissez-faire.
- d. bourgeoisie.

67. On what did the Russian-Soviet development model of growth not depend?

- a. diverting savings from agriculture to industry.
- b. state-assisted entrepreneurs.
- c. state-monopolized trading.
- d. markets for allocating resources.**

68. More than seventy percent of the population of fast growers lives in

- a. China.**
- b. United States.
- c. Russia.
- d. Europe.

69. Why has modern economic growth mainly been in western countries?

- a. a strong Catholic church intervention in the economic decisions.
- b. an emphasis on trade restrictions.
- c. the use of the medieval economy.
- d. the rise of capitalism.**

70. Why has the growth of the German and Japanese economies after World War II not been repeated in LDCs?

- a. low interest rates.
- b. political instability inhibits world-wide investment.
- c. human capital or technical skills were lacking.**

d. real domestic currency depreciation exists.

71. Which two countries have enjoyed a real per capita growth rate of more than 7 % yearly since the 1960s?

- a. Ghana and Mexico.
- b. Canada and the United States.
- c. Sierra Leones and Nigeria.
- d. Taiwan and South Korea.**

72. Perestroika in the Soviet Union refers to

- a. total market reliance for resource allocation.
- b. economic restructuring by Gorbachev.**
- c. intensified central planning.
- d. none of the above.

73. Two countries that still rely on the Soviet communist model of development are

- a. Ghana and Nigeria.
- b. Poland and Germany.
- c. Cuba and North Korea.**
- d. China and Hong Kong.

74. The bourgeoisie refers to

- a. the monarchy.
- b. the central planners of the Soviet Union.
- c. the capitalist and middle class.**
- d. the aristocrats of wealthy nations.

75. ASEAN refers to the

- a. Association of South East Agro Nations.
- b. Association of South East Asian Nations.**
- c. Alliance of South East Asian Neighbors.
- d. Alliance of South Eastern African Nations.

76. The 1993 World Bank study entitled *The East Asian Miracle* identifies eight high performing Asian economies. Which of the following is not one of them?

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- c. Vietnam.**
- d. Thailand.

77. As economic development proceeds, income inequality tends to follow a(n) _____ curve

- a. convex.
- b. inverted U-shaped.**
- c. L-shaped.
- d. S-Shaped.

78. Two or more nuclear families of parent(s) and children is known as

- a. dual family.
- b. institutional family.
- c. extended family.**
- d. two-tier family tree.

79. Peasants are

- a. rural politicians.
- b. rural cultivators.**
- c. rural industrialist.
- d. rural religious group.

80. Which of the following statement is true about low-income countries?

- a. less than 10% of the labor force is in agriculture.
- b. the average agriculture family produces surplus large enough only to supply a small non-agriculture population.**
- c. one-third of the labor force produce food.
- d. share of labor force is about 30%.

81. A country's capital stock is the

- a. approximated investment minus actual investment.
- b. inflow of investment from abroad.
- c. sum of previous gross investment minus depreciation.**
- d. difference between GDP and capital consumption.

82. According to Lewis's model, the dual economy grows only when

- a. the modern sector increases its output share relative to the traditional sector.**
- b. agricultural sector uses modern equipment.
- c. agricultural sector hires labor economically.
- d. modern manufacturing sector is labor-intensive.

83. Export primary commodity concentration ratios are

- a. commodity exports as a percentage of GDP per capita of exporting country divided by importing country.**
- b. export earnings as a ratio of population.
- c. total merchandise export divided by Gross National Income.
- d. food, raw materials, minerals, and organic oils and fat as a percentage of total merchandise exports.

84. The following statements are true about informal sector except

- a. Uses no mechanical power.
- b. May be enterprises with less than 10 workers.
- c. Production is capital-intensive.**
- d. Uses family workers.

85. Economic rent

- a. is productive activity to obtain private benefit from public action and resources.
- b. is the payment above the minimum essential to attract the resource to the market.**
- c. is the wage used to pay unskilled workers.
- d. does not include monopoly profits.

86. The informal sector includes

- I artisans, cottage industrialists, petty traders, tea shop proprietors.
 - II garbage pickers, jitneys, unauthorized taxis, repair persons.
 - III the self-employed.
 - IV activities with little capital, skill, and entry barriers.
- a. I and II only
 - b. III and IV only
 - c. IV only
 - d. I, II, III and IV**

87. Clientelism

I is also known as patrimonialism.

II is the dominant pattern in many LDCs.

III is a personalized relationship between patrons and clients.

IV commands equal wealth, status, or influence, based on unconditional loyalties and involving mutual benefits.

a. I and II only

b. II and III only

c. I, II and III only

d. IV only

88. Which of the following is not a requirement for economic development?

a. a temperate climate.

b. natural resources.

c. an adequate capital base.

d. technological advance.

89. Which one of the following countries is not a high-income country?

a. Germany.

b. The United Kingdom.

c. Canada.

d. Mexico.

90. A country's export commodity concentration ratio is the

a. average annual investment made in production of exported commodities.

b. proportion of the primary export commodity in total exports.

c. ratio of four leading commodities to total merchandise exports.

d. total annual investment made in production of exported commodities.

91. Assume that the real income of a developing Island increases from \$120,000 to \$160,000 from 2005 to 2006, while its population expands from 1000 to 1100 during the same period. Real income per capita has increased by about

a. \$145.

b. \$40,000.

c. \$25.

d. \$100.

92. Increases in real GNP per capita occur when

a. government programs direct resources away from investment goods to consumer goods.

b. tariffs and quotas prevent countries from trading and thus prevent dollars from leaving each country.

c. the rate of growth in real GNP is greater than the rate of growth in the population.

d. the level of consumption expenditures rises relative to the level of saving.

93. In low-income countries, the average agricultural family produces a surplus

a. enough to supply only a small non-agricultural population.

b. of zero.

c. large enough to feed five other families.

d. large enough to feed 25 other families.

94. What is gross domestic product (GDP)?

a. income earned through foreign exchange.

b. the number of dollars earned in industry.

c. income earned within a country's boundaries.

d. goods received from the nation's local residents.

95. What is the ratio of population density of developing countries to the population of developed countries?

a. 10.

b. 2.

c. no more than 1.

d. 20.

96. Industrialization

a. causes development.

b. is positively related to development.

c. is inversely related to development.

d. inhibits development.

97. Dual economies are countries

a. with double capital and labor/

b. with a modern manufacturing sector as well as traditional agriculture sector.

c. that specialize in labor-intensive products more than capital-intensive products.

d. with foreign-owned and domestically-owned capital.

98. The low-income economies generally have the following except

a. deficient infrastructures.

b. low life expectancies.

c. low savings.

d. a per capita GNP of more than \$900.

99. A dual economy is distinguished from other economies by having

a. an industrial sector and a manufacturing sector.

b. a traditional agricultural sector and a modern industrial sector.

c. state ownership of the means of production.

d. an industrial sector that concentrates on manufacturing and construction.

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101. One criticism of Rostow's theory of economic growth is that a. much available data contradicts his thesis about the takeoff stage.

b. there is no explanation of why growth occurs after takeoff.

c. his hypothesis of the stages of growth is difficult to test empirically.

d. all of the above are correct.

103. Criticisms of Rostow's stages of development include

a. the difficulty of testing the stages scientifically.

b. conditions for takeoff are contradicted by historical evidence.

c. characteristics of one stage are not unique to that stage.

d. all of the above are correct.

104. According to the supply side of the vicious circle theory of development, a country is poor because

a. technology levels do not allow for self-sufficiency.

b. it was previously too poor to save and invest.

c. underemployment is too widespread.

d. resource allocation is poor.

105. Baran's Neo-Marxist thesis has been criticized for ignoring the probability that power is frequently a. based on an alliance between landowners and peasants.

b. based on an alliance between peasants and the foreign bourgeoisie.

c. transferred from one elite to another when revolution occurs.

d. derived from domestic opponents of nationalism.

106. The vicious circle theory states that

a. growing government assistance create addiction to welfare programs.

b. low income levels create pressure for money creation.

c. low income levels create pressure for cheap imports.

d. low per capita income creates low savings that keep incomes low.

107. The Harrod-Domar growth model suggests that growth is

a. directly related to savings and inversely related to the capital/output ratio.

b. directly related to the capital/output ratio and inversely related to savings.

c. indirectly related to savings and the capital/output ratio.

d. directly related to savings and the capital/output ratio.

108. Surplus labor theories assume that

a. LDCs are overpopulated.

b. labor contributes nothing to output in LDCs.

c. the marginal product of labor is close to zero in LDCs.

d. urban unemployment is high in LDCs.

109. A theory

I is a systematic explanation of relationships between economic variables.

II explains causal relationships among variables.

III provides a basis for policy.

IV provides an explanation of all factors influencing economic growth.

a. I only.

b. I and II only.

c. I, II and III only.

d. IV only.

110. During the 1980s and 1990s, a period of economic conservative governments in much of the West and Japan, a leading approach among development economists was

a. neoclassicism.

b. Marxism.

c. Rostow's model.

d. the classical approach.

111. Which of the following was not a classical economist?

a. Adam Smith.

b. Thomas R. Malthus.

c. John Stuart Mill.

d. John Maynard Keynes.

112. Adam Smith advocated

I laissez-faire.

- II the invisible hand.
- III free-trade policy.
- IV competitive markets.
- a. I and II only
- b. II and III only
- c. I, II and III only
- d. I, II, III and IV**

113. Karl Marx's historical materialism views were shaped by all of the following EXCEPT

- a. the French Revolution.
- b. the rise of industrial and capitalist production.
- c. political and labor revolts.
- d. a growing spiritual rationalism.**

114. Feudalism was undercut by

- I the migration of serfs to the town.
- II factory competition with handicraft and manorial production.
- III expanded transport, trade, discovery, and new international markets.
- IV the rise of the business corporation.
- a. I and II only
- b. II and III only
- c. I, II and III only**
- d. IV only

115. Rostow's economic stages are

- a. the preconditions for takeoff, the takeoff, the drive to maturity, and the age of creative destruction.
- b. the traditional society, the preconditions for takeoff, the takeoff, the drive to maturity, and the age of high mass consumption.**
- c. the preconditions for consumption, the replication, the drive to maturity, and the age of high mass consumption.
- d. the learning curve, the age of high mass consumption, post-takeoff, and the drive to maturity.

116. The vicious circle theory indicates that

- a. a country is poor because it has lower productivity but high savings.
- b. as countries grow richer, they save less.
- c. poverty perpetuates itself in mutually reinforcing circles on supply and demand sides.**
- d. market size is large in LDCs.

117. The synchronized application of capital to a wide range of different industries is called _____ by its advocates.

- a. balanced growth.**
- b. capitalization.
- c. elasticity of capital.
- d. indivisibilities.

118. For Rosenstein-Rodan a major indivisibility is in

- a. supply.
- b. infrastructure.**
- c. agriculture.
- d. services.

119. A major dependency theorist, Andre Gunder Frank suggests that the following economic activities have contributed to underdevelopment:

- I Workers migrating from villages to foreign-dominated urban complexes.
 - II Forming an unskilled labor force to work in factories and mines and on plantations.
 - III Replacing indigenous enterprises with technologically more advanced, global, subsidiary companies.
 - IV Closing the economy to trade with, and investment from, developed countries.
- a. I and II only.
 - b. II and III only.
 - c. I, II and III only.**
 - d. I, II, III and IV.

120. OECD stands for

- a. Organization for Economic Cooperation and Development.**
- b. Oil Exporting Countries' Development.
- c. Organization for Environmental Cooperative Department.
- d. Open Economies' Caucus on Development.

121. What is Baran's explanation for underdevelopment in Asia, Africa, and Latin America?

- a. monopolistic business from abroad.
- b. reactionary ruling coalitions.
- c. weak domestic middle class.
- d. all of the above.**

122. The Lewis model explains how growth gets started in a less developed economy

- a. with an average product of labor in agriculture that is negative.
- b. with a downward-sloping supply curve of labor.
- c. with a marginal productivity of labor zero or negligible in industry.
- d. with a traditional agricultural sector and an industrial capitalist sector.**

123. The essential difference between capitalism and socialism is that

- a. capitalism exploits the worker and socialism exploits the property owner.
- b. capitalism relies on the market to make economic decisions and socialism uses central planning.**
- c. capitalism grows through rent seeking and socialism grows through government direction.
- d. capitalism relies on consumer satisfaction to dictate choices and socialism relies on producer satisfaction.

124. The ultimate effect of the "invisible hand" of Adam Smith is that, in a competitive economy, everyone

- a. benefits if each acts in his/her own interest.**
- b. will increase their profits in a free market.
- c. should act to maximize economic growth.
- d. should act to promote the public interest.

125. The Human Development Report 2003, which assumes that poverty is multidimensional, calculates a human poverty index based on which of the following measures of deprivation:

- I probability at birth of not surviving to age 40.
 - II adult illiteracy rate.
 - III negative economic growth.
 - IV lack of a decent standard of living.
- a. I and II only
 - b. III and IV only
 - c. I, II and III only
 - d. I, II and IV.**

126. According to Human Development Report 2003, about _____ countries were poorer in 2003 than in 1990.
- a. **50.**
 - b. 100.
 - c. 1000.
 - d. 5.
127. _____ is below the income that secures the bare essentials of food, clothing, and shelter.
- a. Income inequality.
 - b. **Absolute poverty.**
 - c. Sen's poverty index.
 - d. Purchasing-power poverty.
128. Sen's welfare theory relies on
- a. individuals' accomplishments.
 - b. **individuals' capabilities.**
 - c. individuals' wealth.
 - d. individuals' education.
129. Indices of income distribution measure
- a. absolute poverty.
 - b. economic growth.
 - c. **relative poverty.**
 - d. standard of living.
130. Income inequalities are often shown on a
- a. production possibility curve.
 - b. marginal inequality curve.
 - c. Sen curve.
 - d. **Lorenz curve.**
131. A value of 1 in Gini index represents
- a. low inequality.
 - b. **maximum inequality.**
 - c. 10/10, 000% inequality.
 - d. 1% inequality.
132. The elasticity of propoor growth is
- a. **the percentage increase in the consumption growth of the poor divided by percentage increase in the consumption growth of the nonpoor.**
 - b. the percentage increase in the poor times percentage increase in the nonpoor.
 - c. the percentage increase in the poverty of the poor divided by percentage increase in the poverty of the nonpoor.
 - d. the percentage increase in the poor people in the urban divided by percentage increase in the nonpoor in the urban.
133. In 2003, the UN Development Program estimated that a 1-percent LDC per capita consumption growth, with income inequality unchanging, would reduce the poverty percentage by _____ percent yearly.
- a. 0.
 - b. **2.**
 - c. 6.
 - d. 0.5.

134. The elasticity of the poverty gap with regard to the Gini index is (where H is the poverty percentage and G is the growth)

- a. $\frac{(H2 - H1) / \text{average}H}{(G2 - G1) / \text{average}G}$
- b. $\frac{(G2 - H1) / \text{average}G}{(G2 - G1) / \text{average}G}$
- c. $\frac{(H2 - H1) / \text{average}G}{(G2 - G1) / \text{average}H}$
- d. $\frac{(G2 - G1) / \text{average}G}{(H2 - H1) / \text{average}H}$

135. Which of the following statements are true about income inequality in developed and developing countries?

- I 27 percent of the developing countries have low inequality.
 - II The majority of developed (high-income) countries have high income inequality.
 - III The income shares of the poor are lower and their variance higher in DCs than in LDCs.
- a. I only
 - b. II only
 - c. I and II only
 - d. I, II and III

136. The Lorenz curve shows

- a. patterns of poverty between developed and developing countries.
- b. the change in GDP per capita over time.
- c. the poorest's income shares fall in the early stages of growth.
- d. income concentration relative to a 45-degree line.

137. "Peer borrowing groups of five or so people with joint liability approve loans to other members as a substitute for the bank's screening process". The above statement applies to

- a. Indonesia's Badan Kredit Kecamatan (BKK).
- b. the Association for Development of Microenterprise.
- c. Bangladesh's Grameen Bank.
- d. the Enterprise Credit Program in Kolkata.

138. Sala-i-Martin interpolates income distribution by

- a. quintiles.
- b. percentiles.
- c. simulation.
- d. relative ratio measures.

139. Which of the following is not true about most farmers in LDCs?

- a. The staple crop is the chief source of food.
- b. Labor is underutilized except for planting and harvesting seasons.
- c. On the traditional farm, output is always greater than consumption.
- d. Cultivators farm only as much land as their families can work without hired labor.

140. Which of the following is not true about the specialized farm?

- a. Such a farm is the most advanced agricultural phase in a market economy.
- b. Such a farm usually emphasizes cultivating one crop.

c. Such a farm is labor intensive.

d. Such a farm uses advanced technology, and takes advantage of economies of scale.

141. Which of the following is not a consequence of growing agricultural commercialization?

a. An increase in the number of landless laborers.

b. An increase in rural poverty.

c. Women gain in decision making power.

d. Workers' nutrition is reduced.

142. Which scholar argues the following: "Plantations have no significant advantage over peasants [for] crops for which centralized processing and marketing are not necessary. Cocoa and coconuts are typical examples of a lack of large-scale economies. Peasants can grow and process these crops in small lots with no large capital requirement beyond small indigenous tools and facilities."

a. Yujiro Hayami.

b. Raanan Weitz.

c. Hans Singer.

d. Tim Dyson.

143. Which of the following statement about rural and agricultural development is true?

a. Rural development is the same as agricultural development.

b. The agrarian community requires a full range of services such as schools, merchants, banks, and so on.

c. Household nonfarm income is uncorrelated to farm productivity and household incomes in Kenya.

d. China's rural population receives little income from nonfarm income.

144. Which of the following is not a major factor raising LDC agricultural labor productivity?

a. new biological-chemical-mechanical inputs in production.

b. new technical and organizational knowledge from greater specialization.

c. expanded markets for agricultural output.

d. massive government intervention.

145. Which of the following is not among the most advanced global food chain cluster with headquarters in the US.

a. Cargill/Monsanto.

b. ConAgra.

c. Novartis/ADM.

d. Procter & Gamble.

146. Which index "combines measures of calorie availability (in relation to requirement), the growth of per capita daily energy supply, food production, food staples self-sufficiency, and variability of food production and consumption"?

a. food sufficiency index.

b. food security index.

c. food self-intake index.

d. food growth index.

147. Which of the following is NOT a cause of food insecurity, according to Nic Maunder, a specialist on Ethiopia?

a. War and bad governance.

b. Corruption and mismanagement.

c. Poor roads.

d. Aid from developed nations.

148. Which of the following colonial policy contribute further to today's agricultural underdevelopment in Africa?

- I Colonial governments compelled farmers to grow selected crops.
 - II Colonialism often changed traditional land tenure systems from individual control to communal.
 - III Colonialists failed to train African agricultural scientists and managers.
 - IV Research and development concentrated on food production and small farmers and herders.
- a. I and II only.
b. I and III only.
c. III and IV only.
d. II and III only.

149. A set of alternative commodity bundles that a person can command in a society using the totality of rights and opportunities that he possesses is known as

- a. production possibilities.
b. entitlement.
c. income distribution.
d. egalitarianism.

150. Amartya K. Sen emphasizes that having enough to eat depends on

- a. society's system of entitlement.**
b. an egalitarian income distribution.
c. low poverty rates.
d. society's high Gini concentration.

151. In a food demand growth equation, $D = \Phi + \alpha E$, α is the income elasticity of demand for food, E is the per capita income growth, and Φ is

- a. poverty rates.
b. food security index.
c. change in the quantity of food demanded per capita.
d. population growth.

152. Which of the following is a form of urban bias?

- I Government may set price floors on food and price ceilings for industrial goods.
 - II Tax incentives and subsidies to infant-industry.
 - III Tariff and quota protection for industry.
 - IV Spending more for education, training, housing, health and transport in urban areas than in rural areas.
- a. I,II, III only.
b. I, II and IV only.
c. II, III and IV only.
d. I, II, III and IV.

153. Most of Latin America has been characterized by _____, large land-grant estates owned by the few, and _____, small poor holdings that rarely provide adequate employment for a family.

- a. minitudinous, latitudinous.
b. latifundios, minifundios.
c. feudum, nocere.
d. grameen, repetto.

154. According to Binswanger, Deininger, and Feder, land concentration contributes to _____ income and _____ inequality which are major sources of LDC rural conflict.

a. low, high.

b. constant, high.

c. progressive, regressive.

d. high, low.

155. A period of rapid population growth between a preindustrial, stable population characterized by high birth and death rates and a later, modern, stable population marked by low fertility and mortality is known as

a. demographic transition.

b. population maturity.

c. demobilizing population.

d. birth-death transformation.

156. The _____ is the ratio of the non-working population (under 15 years old and over 64 years old) to the working-age population.

a. labor force participation rate.

b. per capita population ratio.

c. population transition.

d. dependency ratio.

157. Throughout most of humankind's existence, population grew at a rate of _____ per year.

a. 10%.

b. 0.002%.

c. 2%.

d. 0.5%.

158. A stationary population is when population growth is

a. increasing at an increasing rate.

b. decreasing.

c. zero.

d. 100%.

159. Which of the following is not a possible cost of high fertility rates and rapid population growth?

a. increasing returns to natural resources, with a direct impact on average food consumption.

b. increased urbanization and congestion.

c. a higher labor force growth rate and higher unemployment.

d. a working population that must support a larger number of dependents.

160. The Essay on the Principle of Population was written by

a. The World Bank.

b. Thomas Robert Malthus.

c. Julian Simon.

d. Abraham Lincoln.

161. About _____ of the world's population lives in LDCs.

a. 80%.

b. 50%.

c. 25%.

d. 35%.

162. Simon's model is consistent with

- a. population self-sufficiency and constant economic growth.
- b. low fertility and mortality.
- c. a laissez-faire population policy.**
- d. a constant returns to scale production function.

163. Malthus's theory was that population

- a. increased proportionally to economic growth.
- b. increased geometrically, outstripping food supply, which grew arithmetically**
- c. increased stagnantly with food supply and economic development.
- d. increased disproportionately, surpassing agricultural production.

164. The development of high-yielding varieties (HYVs) of wheat and rice is known as

- a. the agribusiness revolution.
- b. farming system theory.
- c. the Green Revolution.**
- d. agri-R&D.

165. In 2000, China and India constituted about _____ of the world's population.

- a. 40%.**
- b. 10%.
- c. 80%.
- d. 0.10%.

166. The total fertility rate (TFR) is

- a. the total number of children born in a country in a given year divided by labor force.
- b. the number of children born to the average woman during her reproductive years.**
- c. the number of births in a country divided by total population in a given year.
- d. the number of women age 15-45 in a country divided by total population.

167. Organized family-planning programs and the demand for birth control resulting from urbanization, modernization, economic development, and increased education have contributed to

- a. a decline in fertility.**
- b. the demographic transition from stage 3 to stage 2.
- c. increases in the ratio of labor to capital.
- d. an increase in the dependency ratio.

168. Which of the following is NOT true about children in a peasant society?

- a. Boys as young as 8 years old tend to herd animals, weed, pick, and sell produce.
- b. Children place more economic demands on a peasant family than an urban family.**
- c. Major financial security is usually provided by sons.
- d. The cost of education, entertainment, and travel is low.

169. Julian Simon

- a. supported the Club of Rome's Limits to Growth for estimating technical change.
- b. assumed that population growth causes technological progress.**
- c. used the second law of thermodynamics to assume that technological progress is costless.
- d. assumed the classical view of technological change.

170. Which of the following is not an example of a global public good?

- a. high-yielding varieties (HYVs) of grains.
- b. polio and small-pox vaccinations.
- c. the campaign against river blindness.
- d. the drilling of oil in the Arctic.**

171. Prototypes of international agricultural research centers are the
- I International Center for the Improvement of Maize and Wheat (CIMMYT).
 - II International Rice Research Institute (IRRI).
 - III Synthetic Rubber Research Institute (SRRI).
 - IV Center for International Agricultural Production Control (CIAPC).
- a. I only.
 - b. I and II only.**
 - c. III and IV only.
 - d. IV only.

172. Economists in India, Pakistan, the Philippines, and Mexico argue that foodgrain growth would not have kept up with population growth in the last four decades without
- I the improved packages of high-yielding seed varieties.
 - II fertilizers, pesticides and irrigation.
 - III improved transportation.
 - IV better extension service.
- a. I and II only.
 - b. II and III only.
 - c. I, II and III only.
 - d. I, II, III and IV.**

173. The goal of integrated pest management (IPT) is to
- a. reduce yield losses by pests while minimizing the negative effects of pest control.**
 - b. have year-round plantings of a single crop.
 - c. undertake monoculture pest planning.
 - d. encompass biological control through fertilizers.

174. A production function
- a. shows the dependency output of the working population.
 - b. depicts the relationship between input and output.**
 - c. states the relationship between products and income distribution.
 - d. is a function of natural resources in a country.

175. Entrepreneurship is the
- a. technique to manage raw materials efficiently.
 - b. residual of a production function.
 - c. resource coordinating other productive resources.**
 - d. blueprint on how to manage the labor force.

176. In a production function $Y = F(L, K, N, E, T)$, Y is
- a. national product.**
 - b. capital.
 - c. natural resources.
 - d. prevailing technology.

177. Which of the following is not a capital good?
- a. plant and equipment.
 - b. buildings.
 - c. inventories.
 - d. consumer goods.**

178. Labor skills are a major component of
- a. fertility.

b. population quality.

- c. mortality.
- d. morbidity.

179. The openly unemployed in LDCs are usually from all of the following except:

- a. persons 15 to 24 years old.
- b. the educated.
- c. residents of urban areas.
- d. from the poorest 1/5 of the population.**

180. The unemployment rate is the

- a. employed plus unemployed divided by labor force.**
- b. total employment divided by population.
- c. labor force divided by population.
- d. unemployed divided by employed.

181. Which of the following is not TRUE about unemployment in LDCs?

- a. The unemployment rate for youths is twice that of people over 24.
- b. Unemployment in rural areas is twice that of urban areas.
- c. World-wide there are fewer unemployed females than males, but the rate is higher for women.**
- d. The unemployed are relatively well educated.

182. The invisibly underemployed

- a. are workers who are compelled to work short hours.
- b. result from an inadequate use of workers' capacities.**
- c. are part-time workers who voluntarily work short hours.
- d. none of the above is correct.

183. During the Great Depression workers in DCs who took inferior jobs as a result of being laid off were known as

- a. disguised unemployed.**
- b. cyclical unemployed.
- c. seasonally unemployed.
- d. voluntarily unemployed.

184. The theoretical basis for zero marginal productivity of labor was the concept of

- a. marginal rate of substitution.
- b. labor force literacy.
- c. substitution of leisure and work among labor.
- d. limited technical substitutability of factors.**

185. Disguised unemployment is

- a. when marginal revenue productivity of labor is zero.**
- b. the same as seasonal unemployment of LDC agricultural.
- c. the rigid factor proportions in LDC agriculture and industry.
- d. due to capital formation and the level of technology remaining constant.

186. Which of the following is not TRUE about rural-urban migration?

- a. Migration to the cities is a larger contributor than natural population growth to urban labor growth in sub-Saharan Africa.
- b. In Latin America natural population increase is the major source of urban growth.
- c. From 1975 to 2000, the number of cities in LDCs with populations over 1 million increased from 20 to 50.**

d. The urban share of total LDC population grew from 27 percent in 1975 and 35 percent in 1992 to 40 percent in 2003.

187. According to Harris and Todaro, creating urban jobs by expanding industrial output

a. is insufficient for solving the urban unemployment problem.

b. will generate capital-intensive technologies.

c. will generate more government revenue through urban wages.

d. induces government to increase minimum wages.

188. The Keynesian remedy for unemployment is to

a. decrease aggregate demand.

b. reduce tax rates or lower interest rates.

c. decrease government spending.

d. decrease private consumption and investment.

189. The simplest explanation based on Lewis's model for rural-urban migration is

a. that people migrate when urban wages exceed rural wages.

b. a higher expected income in urban areas.

c. better infrastructure in urban areas.

d. the availability of labor-intensive jobs in urban areas.

190. Policies to reduce factor price distortion include

I Encouraging small-scale industry.

II Decreasing subsidies to capital investors.

III Reducing social security programs and payroll taxation.

IV Setting market-clearing exchange rates.

a. I and II only.

b. II and III only.

c. I, II and III only.

d. I, II, III and IV.

191. Based on Nafziger and Auvinen's study, high unemployment rates

I represent a vast underutilization of human resources.

II are a potential source of social unrest and political discontent.

III are uncorrelated with poverty and inequality in LDCs.

IV are associated with middle age, rural, uneducated males.

a. I and II only.

b. III and IV only.

c. I, II and III only.

d. I, II and IV only.

192. In a competitive economy, a worker earns an income equivalent to

a. the amount of brain drain.

b. marginal utility.

c. marginal product.

d. the substitutability of labor to capital.

193. The marginal product model assumes that

a. individuals pay the full cost of their education.

b. government subsidizes schooling.

c. educated persons migrate more.

d. capital and unskilled labor are complements.

194. Gunnar Myrdal argues that a major barrier to high labor productivity is

a. due to a lack of education.

b. a class system in which the elite are contemptuous of manual work.

c. upper- and middle-class Westerners.

d. the lack of bargaining power by cheap labor.

195. Of the 57 million people dying worldwide in 2002, _____ were from stroke and heart disease and _____ from cancer, disproportionately from DCs.

a. 17 million, 7 million.

b. 7 million, 0.7 million.

c. 3 million, 1 million.

d. 0.5 million, 5 million.

196. The disease burden could be measured by calculating _____, combining years lost through premature death and from living with disability.

a. mortality-adjusted lifelong.

b. premature-living age.

c. life mortality-fertility ratio.

d. disability-adjusted life years.

197. Which of the following is not TRUE about education in LDCs?

a. Public expenditure per student for higher education is about ten times as high as for primary education.

b. The expansion of primary education redistributes benefits from the rich to the poor.

c. Economists unanimously agree that LDCs should put greater priority on primary education.

d. Boys are sent to school far more often than girls.

198. Simon S. Kuznets argues that the major stock of an economically advanced country is not its physical capital but

a. natural resources.

b. body of knowledge.

c. land.

d. quantity of labor

199. Labor productivity is higher in DCs such as Japan and Germany than in LDCs due to

a. higher formal education and training.

b. better health and physical condition of the labor force.

c. Both a and b are correct.

d. None of the above is correct.

200. The emigration of highly-skilled people from the developing countries is known as

a. the brain drain.

b. human capital deterioration.

c. productivity.

d. labor degradation.