

# Final Exam: Economics of Development.

Due before Saturday 12/5/2020 at 11:59:00 pm

## Instructions

Choose a less-developed country you are interested in and focus your response on their experience.

Under each section is a guiding question in **strong style**. Additional questions and direction are provided below the guiding question. While you are free to structure your response however you like, I would recommend that you focus your response on answering the guiding question in an essay format and use the additional questions to inform your response.

In parts B and C, use data from the [World Bank](#) or other sources to create charts and/or tables and use those to answer the questions. Include observations going back as far as is relevant. Pay particular attention to longer term trends and the impact from the coronavirus. To earn maximum points in these sections, link the empirical trends to the theoretical models presented in course content and significant historical events or policy changes.

Feel free to set up an appointment with me to discuss your responses or to seek further guidance.

I will be assessing you according to the rubric provided in the syllabus, basically on content, organization, and grammar.

Maximum word count 3000 words: less is fine, more is not. Submit as .pdf file through Moodle.

*Note: Cite all of your sources! Paraphrasing is strongly preferred to direct quotations. If you rely on direct quotes, I will assume you do not understand the point the author was making and grade you accordingly. Use paragraphs.*

## A. Historical perspective

**How has the historical legacy affected society's ability to harness technological progress to support economic growth and human development?**

Use this section to provide context for the sections that follow. Consider some of the broader historical and cultural aspects that might affect the ability of policies to achieve greater growth and development. In so doing, you might discuss the political system, social rules dictating individual behavior, and the relationships surrounding work and production including the role of and interactions between the state, the private sector, and the rest of the world (foreign nations and/or corporations).

## B. Growth and development

**How has the domestic economy evolved over time?**

1. How has the growth rate of GDP changed over time? What factors account for the observed change? Start by looking at what components of GDP have changed.
2. Is there any correlation with GDP growth rate and industry growth rate?

3. How has the share of GDP from industry, agriculture, and services evolved over time? What factors account for the observed change? Have there been any significant policy changes or external factors that help understand the changes?
4. What share of the labor force works in agriculture, industry, and services? How productive is labor in each of these sectors? How have the relative shares changed over time? Why?
5. What share of the population live in poverty? How has the share of the population living in poverty changed over time?
6. What share of the population is rural? How has the urban-rural divide changed over time?

## C. Position in the global economy

### **How has their position/role in the global economy evolved over time and how does it relate to the evolution of the domestic economy?**

The current account is the sum of the balance of trade, balance of factor incomes, and balance of current transfers. In the simplest sense, the current account is the expenditures to and income from the rest of the world.

- The balance of trade is calculated as the difference between exported goods and services and imported goods and services.
  - The balance of factor incomes is the difference between interest, profits, dividends, and employee compensation paid and received. A surplus in the factor incomes means there was a net inflow of foreign exchange from prior investment and loans; while a deficit means there was a net outflow of foreign exchange. For example, in the 1970's many nations borrowed petrodollars, the interest payment on these loans created an outflow on the borrowing nations current account.
  - The balance of current transfers is the difference between unilateral transfers between nations; the balance is positive when there is a net inflow and negative when there is a net outflow. Unlike the other categories, there is no corresponding, equal, and opposite flow in the other direction. Current transfers include aid packages and remittances from workers abroad.
- 1) How has the current account balance evolved over time?
  - 2) What factors account for the observed change? Start by looking at the components and considering policy changes.
  - 3) Are they a net food importer or exporter? Does this make them more susceptible to disruptions in the global supply chain?
  - 4) What are the primary imports and exports?
  - 5) How has the import/export pattern changed over time?

The capital and financial account are the other two components making up the balance of payments. The capital and financial account measure the borrowing from and lending to the rest of the world. A positive value on these accounts represents a net inflow of foreign currency and a negative value represents an outflow.

- Inflows to the financial account arise from the government, individual, or business receiving a loan from abroad and foreign direct investment.
- The capital account is typically quite small and can remain outside our focus for now.

- Net of errors, capital and financial accounts + current account = 0. If a nation runs a current account deficit (import more than export, for example), it must run a net surplus in the current and capital accounts (it must borrow foreign currency).
- 6) How have the capital and financial accounts evolved over time?
  - 7) What factors account for the observed change? Start by looking at the components and considering policy changes. What are the sources or destinations of the financial flows (IMF, private banks, TNCs, etc)?

## D. Alternative measures of progress

**What alternative measures of development are informative of what is happening in your chosen country?**

Please include a brief discussion of the measure, why it is important, and how your country measures up.

## E. Coronavirus

**How has the coronavirus impacted the nation? How has the government responded? How has the economic structure affected both the impact and the capacity to respond?**

In answering this question, you may want to include a discussion on health care and its capacity to handle the outbreak, impact to educational outcomes, is the impact disproportionately affecting the most marginalized groups within society, in addition to the more traditional topics like employment, output, etc.

## F. Looking forward

**What goal should the nation focus on achieving? What policies do you suggest for achieving these goals?**

- 1) Briefly describe what you believe to be the most important goals for your chosen nation in recovering from the coronavirus and achieving higher levels of development and greater growth. Use the data and information from the course content to inform your response to this question.
- 2) What policy recommendations would you advise the government to pursue? Be sure to discuss how the recommended policy overcomes any potential barriers and moves the country closer to the goals.