

**English Section**  
**Economic Development**  
**Date 31 / 5 / 2022**  
**Time: 120 Minutes**

**MODEL B**

**Level: Third year**  
**Code: ECON302**  
**Total Marks: 70**  
**Total Pages: 3**

**Answer the following questions (MCQ)**

1. In the public choice approach to development the emphasis is on
  - a. growth in the rural sector.
  - b. the self-interested behavior of public officials.
  - c. the dependence of LDCs on former colonial powers.
  - d. the inherent efficiency of developing country markets.
2. The neoclassical counter-revolution school supports
  - a. trade restrictions.
  - b. state-owned enterprises.
  - c. eliminating government regulations.
  - d. limitations on foreign investors.
3. A situation in which government intervention in the economy worsens the economic outcome is termed
  - a. neoclassical failure.
  - b. socialism.
  - c. government failure.
  - d. dependency revolution.
4. The Solow residual helps explain growth that derives from
  - a. anything except increases in the size of the labor force or the capital stock.
  - b. increasing the size of the labor force.
  - c. increasing the size of the capital stock.
  - d. increasing the capital-labor ratio.
5. International dependence theories distinguish between two groups of countries known as
  - a. rich-poor.
  - b. center-fringe
  - c. developed-developing.
  - d. independent-dependent.
6. Which of the following is an assumption of the Lewis two-sector model?
  - a. surplus labor in industry.
  - b. positive marginal product of labor in agriculture.
  - c. an upward sloping labor supply curve in industry.
  - d. none of the above.
7. The linear stages theory of economic growth fails to recognize that increased investment is
  - a. both a necessary and a sufficient condition.
  - b. a necessary but not a sufficient condition.
  - c. a sufficient but not a necessary condition.
  - d. neither a necessary nor a sufficient condition.
8. The absolute poverty line
  - a. decreases as real income grows.
  - b. shows the average income of the lowest income group.
  - c. can be measured with the Lorenz curve.
  - d. none of the above.
9. One of the characteristics of the poor is that they are
  - a. more likely to be employed in the modern industrial sector.
  - b. more likely to live in a rural area
  - c. more likely to come from small families.
  - d. more likely to be well educated
10. With modern sector enrichment growth, inequality will
  - a. first rise and then fall.
  - b. first fall and then rise.
  - c. remain about the same.
  - d. none of them.
11. The central argument of the neoclassical counterrevolution is that underdevelopment is due to:
  - a. developed countries intervention
  - b. the gap between savings and investments
  - c. poor resources allocation.
  - d. all of the above
12. The poverty gap is the
  - a. absolute number of people below the international poverty line.
  - b. percentage of the population below the international poverty line.
  - c. consumption (measured in dollars) necessary to bring everyone below the poverty line up to the line.
  - d. percentage of a country's total consumption necessary to bring everyone in the country below the poverty line up to the line.
13. The new growth theory attempts to explain
  - a. the rate of population growth within a country.
  - b. the rate of capital accumulation within a country.
  - c. the factors that determine the size of the Solow residual.
  - d. why there are diminishing returns to capital.
15. 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.
14. The big-push theory argues that coordination failures may arise because of
  - a. pecuniary externalities.
  - b. technological externalities.
  - c. lack of human capital.
  - d. all of the above.

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16. The false paradigm model attributes lack of development to  
a. inadequate attention to price incentives.      b. inappropriate advice from rich country economists.  
c. low levels of savings and investment.      d. a lack of government regulation.
17. On which of the following does the neoclassical counter-revolution school most blame underdevelopment?  
a. misguided government policies      b. relatively rigid cultural traditions  
c. the legacy of colonialism      d. unfair trade practices on the part of developed countries
18. The market-friendly approach to development emphasizes  
(a) self-interested behavior of public officials in LDCs.  
(b) the dependence of LDCs on former colonial powers.  
(c) the inherent efficiency of markets in developing countries.  
(d) that markets in LDCs fail sometimes and selective interventions can promote economic development.
19. A newly industrialized country is  
a. the same as a high-income country.  
b. any country that has experienced sustained growth in industry.  
c. a special classification given to some upper-middle income countries that have achieved relatively advanced manufacturing sectors.  
d. any country that has moved out of lower income status.
20. Which of the following is not a policy proposal of the neoclassical counter-revolution school?  
a. promoting free trade      b. privatizing state-owned enterprises  
c. hospitable multinational corporations      d. promoting trade unions
21. The O-ring theory places emphasis on  
a. education of the labor force.      b. skill complementarities.  
c. purchases of machinery and equipment by firms.      d. none of the above.
22. Assuming that Gini coefficient for Egypt is 0.403 and the Gini coefficient for Australia is 0.404, it is possible to conclude that both Egypt and Australia have  
a. virtually the same number of households in absolute poverty.  
b. virtually the same percentage of households in absolute poverty.  
c. virtually the same level of the Human Development Index.      d. none of the above.
23. Implicit assumptions from which theories evolve are known as  
a. a paradigm.      b. biases.      c. stylized facts.      d. normative economics.
24. The underlying assumption of the Harrod-Domar growth model is that  
a. the incremental capital-output ratio is given by  $k = Y/K$ .  
b. growth is mainly determined by capital accumulation.  
c. growth can be sustained only if agricultural productivity rises.  
d. developing countries save too much and invest too little.
25. Conditions of today's developed countries at the start of their industrialization differ from conditions in the developing world in that  
a. population growth rates were higher.      b. more advanced technology was available.  
c. there were more opportunities for development assistance.      d. none of the above.
26. Kuznets' inverted-U hypothesis  
a. implies that things must get worse before they get better.  
b. suggests that inequality will worsen and then improve as a country grows.  
c. suggests that inequality will improve and then worsen as a country grows.  
d. points out six characteristics of modern economic growth.
27. The S-curve is used to illustrate  
a. the typical path taken by the current account over time.      b. economic fluctuations in the economy.  
c. the existence of multiple equilibria.      d. the typical growth path of a developing economy.
28. Neutral technological progress occurs when  
a. higher output levels are achieved by more capital-intensive methods.  
b. higher output levels are achieved with the same quantity and combinations of factor inputs.  
c. higher output levels are achieved by more labor-intensive methods.  
d. higher output levels are achieved.
29. Which of the following is a criticism of the neoclassical counter-revolution school's approach?  
a. markets are competitive in developing countries.      b. externalities are varied within developing countries.  
c. inequality may worsen when interventions are removed in developing countries.      d. none of the above.

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30. Poverty is better studied with size distribution measures than those based on factor distribution because
- labor income may be highly concentrated in well-paid modern sector workers.
  - some poor farmers may receive a sizable share of income in rent.
  - income from market activities such as foraging may be important.
  - a and b.

**True or False: Shade letter A in answer sheet if the sentence is True or letter B if it is Wrong**

31. Underdevelopment trap is a poverty at regional or national level where underdevelopment tends to perpetuate over time.
32. Middle-income trap is a condition in which an economy initiates development to reach middle income status, but it may reach high income status.
33. Where-to-meet dilemma is a situation where all parties would be better off cooperating than competing
34. Perfect competition is prevailed in all sectors according to big push development model.
35. Urbanization effects: if some of traditional cottage industry is rural and IRS manufacturing is urban, urban residents' demand doesn't entail to be concentrated in manufactured goods.
36. Linear-Stages model doesn't entail that a country must follow stages in turn to attain development.
37. Comprador group: local elites act as rivals for foreign investors.
38. Complementarity is actions taken by an agent motivate others to follow him or not.
39. Coordination failures happen when agents are able to coordinate their actions which leads to outcomes that make all agents worse off.

**Questions from 40 to 50 Given the following human development indicators for country X:**

- |                                        |                                           |
|----------------------------------------|-------------------------------------------|
| 1. Life expectancy at birth = 75 years | 2. Adult literacy index = 0.77            |
| 3. Gross enrollment index = 0.8        | 4. 2021 GDP per capita (PPP) = \$10000    |
| 5. Mean years of schooling = 10 years  | 6. expected years of schooling = 12 years |
| 7. 2021 GNI per capita (PPP) = \$12000 |                                           |
40. Income index for traditional HDI is:
- |         |         |         |         |
|---------|---------|---------|---------|
| a. 0.73 | b. 0.75 | c. 0.77 | d. 0.81 |
|---------|---------|---------|---------|
41. Life expectancy for traditional HDI is:
- |         |         |         |         |
|---------|---------|---------|---------|
| a. 0.77 | b. 0.83 | c. 0.86 | d. 0.80 |
|---------|---------|---------|---------|
42. Education index for traditional HDI is:
- |         |         |         |         |
|---------|---------|---------|---------|
| a. 0.78 | b. 0.81 | c. 0.84 | d. 0.76 |
|---------|---------|---------|---------|
43. The traditional HDI for X country equals:
- |         |         |         |         |
|---------|---------|---------|---------|
| a. 0.75 | b. 0.67 | c. 0.87 | d. 0.80 |
|---------|---------|---------|---------|
44. According to HDI the country X lies in:
- |                           |                                |
|---------------------------|--------------------------------|
| a. low human development  | b. medium human development    |
| c. high human development | d. very high human development |
45. Income index for Newly HDI is:
- |         |         |         |         |
|---------|---------|---------|---------|
| a. 0.73 | b. 0.66 | c. 0.76 | d. 0.83 |
|---------|---------|---------|---------|
46. expected years of schooling for NHDI is:
- |         |         |         |         |
|---------|---------|---------|---------|
| a. 0.68 | b. 0.65 | c. 0.52 | d. 0.58 |
|---------|---------|---------|---------|
47. education index for NHDI is:
- |         |         |         |         |
|---------|---------|---------|---------|
| a. 0.73 | b. 0.69 | c. 0.77 | d. 0.56 |
|---------|---------|---------|---------|
48. Life expectancy for NHDI is:
- |         |         |         |         |
|---------|---------|---------|---------|
| a. 0.81 | b. 0.87 | c. 0.77 | d. 0.83 |
|---------|---------|---------|---------|
49. The NHDI for country X equals:
- |         |         |         |         |
|---------|---------|---------|---------|
| a. 0.81 | b. 0.88 | c. 0.79 | d. 0.75 |
|---------|---------|---------|---------|
50. According to NHDI results the country X lies in
- |                           |                                |
|---------------------------|--------------------------------|
| a. low human development  | b. medium human development    |
| c. high human development | d. very high human development |

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**Best Wishes**

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