AEM 2350

Economics of Agricultural Development

Midsemester Exam - October 2015

**Short Essays – Answer THREE of the following questions. 20 points each**

1. How do sources of tax revenue differ in low income countries as compared to the US? Why?

2. What is “financial repression”? What policies support it?

3. Answer the following questions about international debt:

a. What is a “debt crisis”? Why do countries get into them?

b. Name at least two common measures of indebtedness and state why they are important

c. Name two policies you would propose in a country which had a debt crisis.

4. What are the Millenium Development Goals? Name at least three of them. Were we successful in reaching them?

5. Compare and contrast GDP and the Human Development Index as measures of development and welfare.

**Long Essays – Answer ONE of the following. 40 points**

1. Discuss the following questions about CASH vs. FOOD transfers to poor households:

1. Which program – food or cash aid – results in the biggest increase in calorie consumption?
2. Using Supply and Demand diagrams, show the difference between cash and food provision to poor households
3. When might the effects you noted in part b above be strongest and when might they be weakest?

2. A commonly cited equilibrium condition for a small economy is that Investment = Savings

a. Name three sources of savings for a growing economy.

b. Name three channels or intermediaries through which savings can reach investors

c. What is Net Present Value?

3. Answer the following questions about the transformation in the structure of economies as countries experience growth in per capita GDP:

a. What sectors shrink as a percentage of GDP and which grow? Why?

b. What typically happens to the share of international trade in GDP as countries grow? Why does this happen?

c. What happens to the share of population living in cities as countries grow? Why does this happen?