



AFRICAN ECONOMIC RESEARCH CONSORTIUM

Collaborative PhD Programme in Economics for Sub-Saharan Africa

COMPREHENSIVE EXAMINATIONS IN CORE AND ELECTIVE FIELDS

FEBRUARY 13 – MARCH 4, 2019

DEVELOPMENT ECONOMICS

Time: 08:00 – 11:00 GMT

Date: Monday, March 4, 2019

INSTRUCTIONS:

1. Answer a total of FOUR questions: ONE question from Section A; ONE question from Section B; and TWO questions from Section C, at least one of which **must be Question 5 or Question 6.**
 2. The sections are weighted as indicated on the paper.
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SECTION A: (15%)

Answer only ONE Question from this Section

Question 1

Provide arguments for and against rapid population growth in developing countries, especially in Africa. **(15 Marks)**

Question 2

Distinguish between the orthodox, structuralist and radical approaches to economic development. **(15 Marks)**

SECTION B: (25%)

Answer only ONE Question from this Section

Question 3

- (a) Discuss the characteristics of the rural credit markets in Africa. **(15 Marks)**
- (b) What explains the prevalence of high interest rates in the informal credit markets in Africa? **(10 Marks)**



Question 4

- (a) Explain the factors that have pushed many highly educated people in Africa to migrate, especially to developed countries. **(15 Marks)**
- (b) How can the brain drain phenomenon be transformed into brain gain by African countries? **(10 Marks)**

SECTION C: (60%)

Answer TWO Questions from this Section,

AT LEAST one of which MUST be Question 5 or 6

Question 5

Use Tables 1 and 2 below to answer the following questions:

- (a) Looking at Table 1, explain why individual countries exhibit substantially different comparative status when viewed in terms of their HDI and GNI per capita rankings. **(10 Marks)**
- (b) Referring to Table 2, explain the case of Botswana in the context of its post-independence remarkable growth performance. **(5 Marks)**
- (c) Explain the components of human development that are included in the calculation of the Human Development Index (HDI). **(15 Marks)**

Table 1: HDI ranking of selected countries

Country	HDI Rank	Gross national income (GNI) per capita rank minus HDI rank
Norway	1	5
Guinea	182	4
Benin	168	1
Kuwait	50	-48
Cuba	68	48
Chad	186	-19
Tanzania	152	10
Saudi Arabia	38	-26
Qatar	33	-32
United Arab Emirates	42	-35
South Africa	119	-30
Kenya	147	10
Cameroon	154	2
Nigeria	151	-23



Table 2: Inequality adjusted HDI for medium-HDI SSA countries.

Country	HDI	HDI rank	Inequality-adjusted HDI	Difference from HDI rank
Botswana	0.698	107	0.433	-23
Gabon	0.697	109	0.531	-3
South Africa	0.666	119	0.435	-12
Namibia	0.640	126	0.415	-13
Congo	0.592	135	0.446	-6
Equatorial Guinea	0.592	137	na	na
Ghana	0.579	140	0.391	-8
Zambia	0.579	139	0.373	-11
Kenya	0.555	147	0.391	-1

Question 6

Use Table 3 to answer the following questions:

- Discuss the relationship between institutions and development, assuming that GDP per capita is an indicator of development. **(10 Marks)**
- Most resource-based economies have had to suffer from the following ‘curses’: volatility, governance and the Dutch Disease. Explaining what each of the concept means, show how some of the listed African countries have been able to overcome the challenges. **(20 Marks)**

Table 3: Indicators of institutional governance and GDP per capita for some selected countries in Africa and Asia

Country	Corruption Perception Index	Doing Business	Voice and Accountability	Government Effectiveness	GDP per Capita (US\$)
New Zealand	90	87.01	97.54	98.2	4,1593
Singapore	84	85.05	NA	100	5,7713
Hong Kong	77	98.08	65	98.08	4,6109
Korea	53	84.07	68.97	NA	2,9891
Rwanda	54	69.81	17.24	NA	772
Tanzania	32	54.48	41.87	34.13	1,034
Mozambique	NA	53.78	40.89	18.75	429
Ivory Coast	34	52.31	32	26.92	1,617
Congo, DRC	21	37.57	18.23	5.77	478
Ethiopia	34	28.05	12.81	28.37	873
Botswana	60	65.55	61.58	70.67	7,877

Source: World Bank Governance Indicators, 2017 and Transparency International Corruption Perception Index, 2017. The GDP figures are from IMF indicators of 2017



Question 7

The restricted human capital investment model (Mincer, 1974):

$$\ln Y = a + bS + e$$

where:

Y is the income resulting from investment in schooling.

b is the coefficient of schooling S.

- (a) Explain the assumptions of the model. **(4 Marks)**
- (b) What are other causes of wage differentials in the labour market? **(6 Marks)**
- (c) Discuss alternative/complementary ways of classifying human capital. **(10 Marks)**
- (d) What are other sources of human capital differences? **(10 Marks)**

Question 8

Three countries X, Y, and Z produce a single crop, Bananas, at domestic prices indicated in the table below:

Country	X	Y	Z
Price of Bananas	175	130	100

- (a) Using the above table, describe the pattern of trade in a situation where all the countries impose a 50 % tariff on exports of other countries and the welfare effects on the different countries. **(6 Marks)**
- (b) If countries X and Y decide to create a free trade bloc but maintain a common tariff of 50% on the imports of Bananas from Z (the rest of the world), demonstrate how trade creation and trade diversion will occur. **(8 Marks)**
- (c) What factors might motivate countries X and Y to get into a trade bloc against the rest of the world? **(6 Marks)**
- (d) Despite the numerous trade blocs that exist on the continent, why have African countries not increased intra-regional trade? **(10 Marks)**