Faculty of Economics

Thammasat University

EE463 Globalization and international Development

MIDTERM EXAM

27 September 2021

Student Name : ____

Student ID : ________________________________

e-mail : ________________________________

Time : 09:00-11:00

Please read carefully.

This is a take-home exam which comprises two sections. Section A comprises 10 questions; students are required to provide short responses to the questions. Section B will need longer responses; students are required to select and respond to only 3 questions. Typed responses are preferred, but hand-written responses will be accepted.

The student will be given two (2) hours to complete the exam. To account for wrap-up time, a grace period of 10 minutes overtime will be allowed. Please send the exam to Google Classroom. Submissions received after the time limit will be given a penalty of 15 points and no exams will be accepted after 30 minutes of the extended time limit.

Section A (maximum 40 points)

Please provide short answers to the following questions

1. What are the two features of globalization? Interdependency and integration
2. What is the difference between economic growth and economic development? Economic growth is increase in income/output over time; economic development requires economic growth but also improvements in health, education, and other indicators of human well-being
3. What are indicators of (i) economic growth? GDP, GNP, GNI (ii) economic development? HDI, literacy rates, mortality rates, school enrolment, poverty rates
4. What are the limitations of using GDP as an indicator of development? GDP does not measure: non market activities, negative externalities, outputs generated by the informal sector, and quality of life.
5. Foreign aid was successful in rebuilding Germany and Japan after World War II. Other countries were less successful. What factors account for these differences? In Europe and Japan: institutions, legal systems, and know-how were intact; key institutions were embodied in people; business decisions were by the private sector/market: in most countries capital was in the hands of a few, modern institutions and functioning markets did not exist; decisions to allocate resources were taken by the government.

6. What are the stages in a demographic transition? **Stage 1:** high birth rate, high death rate; no net population increase; **Stage 2**: death rate declines more than birth rate; improved nutrition and food availability; net population increase; **Stage 3**: declining birth rate and declining death rate: small net population increase; and **Stage 4**: birth rates are declining faster than death rates: population growth close to zero.

7. Poverty worldwide is declining, yet many of the world's population remain poor. What policies can governments pursue to reduce poverty? Invest in human capital by promoting health and education and providing basic services to the poor; provide cash transfers; and develop social safety nets.

8. What are the key characteristics of the agricultural sector? Agriculture sector: has high share of labor force; direct consumption of agriculture outputs by its producers (subsistence); role as a resource reservoir.

9. The green revolution was instrumental raising productivity and addressing the problem of hunger and malnutrition in many parts of the world. What were the outputs of the green revolution? Crop resistency to disease, higher crop yields, improved agriculture inputs and improved farming methods.

10. What are the phases of structural transformation in the agricultural sector? Output increase, surplus, market linkage and integration.

Section B (maximum 60 points)

Choose <u>only three (3)</u> of the following questions and respond accordingly. Note: direct, correct answers will earn 15 points each; <u>however if your views/opinions are included, then 20 points will be earned for each response</u>.

1. What do we mean when we say that *economic growth is a necessary but not sufficient condition for economic development*? Do you agree? Please provide your views along with examples. Economic growth is important for economic development; without growth there is no development. However economic growth in itself is not sufficient in achieving economic development as other non-economic factors should be present, such as human well-being, sustainable environment, and equitable distribution of resources among society.

2. Please compare the development experiences of Malaysia, Ethiopia and Ukraine (1970-2010) in terms of economic events, national output growth and development outcomes Please use case studies provided in the slides presentation.

3. What are the factors that determine economic growth of a country? Please elaborate your response. Macroeconomic and political stability; Investments in health and education, effective governance and institutions; favorable business environment; Trade, openness and growth; and a favorable geography. Elaborate further.

4. Please explain the role of income, savings and investments in increasing capital stock and output. Output is a function of capital per worker; the more productive the worker the more the output which translates to more income and potential savings. More savings translates to more investments. Change in in capital stock is equal to savings minus capital depreciation. If savings rate is high relative top depreciation, capital stock will increase.

5. Please explain how the roles of the state in developing countries shifted from the period following World War II, particularly from 1950s-70s, 1970s-80s, 1990s, and 2000s. State-led growth, 1950s-70s, shift to market mechanisms, 1970s-80s; structural adjustment, 1990s. Need to elaborate further on these points.

6. The demographic transition involves several stages. Please identify and explain each stage with examples from countries discussed in class. **Stage 1:** high birth rate, high death rate; no net population increase; **Stage 2**: death rate declines more than birth rate; improved nutrition and food availability; net population increase; **Stage 3**: declining birth rate and declining death rate: small net population increase; and **Stage 4**: birth rates are declining faster than death rates: population growth close to zero. Need to elaborate further.

7. What are indicators of inequality? Please explain. Key words: Gini coefficient, Lorentz curve and frequency distribution. Elaborate further.

8. What do we mean when we say that *structural transformation is the systemic change in sector proportions as economies grow*? Please provide examples and your insights. It means that despite its importance, agriculture share of GDP is declining. Agriculture dominates share of GDP and employment but as economies grow, share of agriculture decreases while manufacturing increases and this is followed by a demographic transition whereby birth rates and death rates become lower.

9. What triggered the global food crisis of 2008 and what were the impacts of the crisis? Many factors: growth in food demand from China and India; speculation on financial markets; hoarding and export restrictions; rising oil prices increases transport costs; increased demand for biofuels, causes land competition and depreciation of USD. Impacts were increased worldwide poverty rates; shift in food consumption pattern and increased worldwide poverty