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**UNIVERSITY OF LONDON**

**279 0044 ZB**

**BSc degrees and Diplomas for Graduates in Economics, Management, Finance and the Social Sciences, the Diploma in Economics and Access Route for Students in the External Programme**

**Economics of Development**

Thursday, 25 May 2006 : 2.30pm to 5.30pm

Candidates should answer **FOUR** of the following **TWELVE** questions. All questions carry equal marks.

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UL06/60

1. Explain what is meant by 'sustainable development'. Are the objectives of economic development and sustainable development mutually reinforcing? Explain your answer.
2. 'In the initial decades after the Second World War, the pursuit of economic development was reflected in the almost universal acceptance that development planning was the surest and most direct route to economic progress'. Briefly explain how a developing country can use planning to pursue economic progress. What are the major limitations of planning?
3. Explain how growth in a two sector model leads to the Kuznets 'Inverted U' hypothesis. Does empirical evidence support the Kuznets hypothesis? Explain your answer.
4. Explain the main determinants of rural-urban migration. What policies can be used to reduce the incentives of rural workers to migrate to urban areas?
5. Explain how poverty is measured. Discuss how important it is to properly target the poor in a poverty reduction programme.
6. If sharecropping is inefficient, why is it so popular?
7. 'A big push is necessary to industrialise most of the developing world'. Explain this statement by presenting a formal model of the 'big push' and the role that multiple equilibria plays in it.
8. Explain why the imposition of a tariff may raise welfare in a developing country if:
  - (a) there is an external cost associated with the production of one of the goods the country produces; and
  - (b) Lewis' 'dual labour market conditions' prevail. Is tariff policy the best policy? Explain your answer.
9. Explain what is meant by 'missing women' and its relationship with 'son-preference' in some developing countries. Discuss policies to reduce this phenomenon.
10. Critically assess the different approaches to financing development from domestic resources.
11. What is the 'green revolution' and why is it argued that it favours large farmers? How can the government help small farmers to adopt green revolution technology?
12. Explain why under certain circumstances employers would pay an efficiency wage higher than the opportunity cost of labour to increase the nutritional level of their workers? Does empirical evidence support this version of the efficiency wage hypothesis?

END OF PAPER