

NATIONAL UNIVERSITY OF LESOTHO

B.A. EXAMINATIONS

EC 3307 – DEVELOPMENT ECONOMICS

JANUARY, 2024

100 MARKS

TIME: 3 HOURS

INSTRUCTIONS:

- 1. Answer any four questions.** Each question carries equal marks.
- 2. Show all workings clearly in the answer sheet.**

Question 1

- a) Discuss the three core values of economic development. **[10]**
- b) Differentiate between headcount ratio [HR] and total poverty gap [TPG]. **[10]**
- c) During the past decade, India invested 22% of its GDP while China's investment was double that of India. India's annual economic growth rate has been about 6% while that of China has been around 9%. What could be the reason for convergence in both countries economic growth rates? **[5]**

Question 2

- a) Differentiate between Public Choice Approach and Market Friendly Approach. **[15]**
- b) Suppose the incremental capital-output ratio [ICOR] is 3, depreciation is 3% and gross savings rate is 10%:
- (i) Use the Harrod-Domar growth equation to determine the rate of economic growth. **[5]**
- (ii) What would the gross savings rate have to be to achieve the desired economic growth rate of 5%? **[5]**

Question 3

- a) What are the three main indicators that make up the Human Development Index [HDI]? [6]
- b) Use information from table 1 below to answer the question that follows;

Table 1: Human Development Indicators for Lesotho in 2022

INDICATORS	LESOTHO VALUES [in 2022]	INTERNATIONAL MAXIMUM VALUES
GDP per Capita (PPP US \$)	1,241.00	40,000.00
GNI per Capita (PPP US \$)	7,263.00	108,211.00
Life Expectancy at Birth (Years)	65.7	83.2
Mean Years of Schooling (Years)	7.5	13.2
Adult Literacy Rate (%)	53.5	-
Expected Years of Schooling (Years)	11.4	20.6
Gross Enrolment Ratio (%)	52.1	-

Important Note: The lowest ever registered per Capita GDP is \$ 100.00 while Per Capita GNI is \$163.00. The lowest ever registered Life Expectancy is 20 years and UN forecast expected education attainment is 0.971.

Calculate the New Human Development Index [NHDI] for Lesotho in 2022 and comment on the value. [13]

- c) The 2013 Human Development Report reported that the HDI of Botswana was 0.614 and its rank was 125 and that of Philippines was 0.751 and its rank was 85. Botswana's per capita GDP (in PPP dollars) was \$7,820.00 and that of Philippines was \$3,840.00. Comment and explain this difference. [6]

Question 4

- a) Discuss two Sustainable Development Goals [SDGs] that you consider to be the most important. **[10]**
- b) Define youth dependency burden and explain why it is huge in Less Developed Countries [LDCs] as compared to Developed Countries [DCs]? **[5]**
- c) Schumpeter's Theory of entrepreneurship and innovation describes economic development as a historical process of structural changes substantially driven by innovation.
Discuss **five** such types of innovation according to this theory. **[10]**

Question 5

- a) Define price of a child. **[5]**
- b) Discuss diagrammatically the Microeconomic Theory of Household Fertility. **[20]**

Question 6

- a) What is child poverty? Discuss three determinants of child poverty. **[15]**
- b) Discuss three policy options that may be adopted/have been adopted to curb child poverty. **[10]**