

Ec 320, Fall 2009

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FINAL EXAMINATION

December 21, 2009

Please do not write your name on your blue books, only your student ID number.

1. ($5 \times 6 = 30$ marks). Indicate whether you agree, or disagree with the following statements. State qualifications and exemptions whenever applicable. In each case provide a brief explanation for your answer, referring both to relevant theory and facts.

- IGNORE
- (a) One of the causes for high fertility rates in underdeveloped countries is a high rate of infant mortality.
 - (b) The Marshallian theory of sharecropping predicts that fixed rent tenants will be less productive than owner cultivators (everything else such as farm size remaining the same).
 - (c) The hypothesis of monopoly power of lenders in informal credit markets is neither necessary nor sufficient to explain the prevalence of credit rationing.
 - (d) High income countries ought to protect their farmers and unskilled workers by imposing tariffs on low cost imports of farm and manufactured goods from developing countries.
 - (e) Trade liberalization tends to reduce inequality of earnings between skilled and unskilled workers.

IGNORE

2. (10 marks) (a) Describe how total fertility rates differ between poor, middle income and rich countries.

(b) What reasons can you provide to explain these differences?

(c) Based on your answers to (a) and (b) above, suggest suitable policies that would be most effective in lowering fertility rates in poor countries.

3. (10 marks) (a) Describe the principal differences between formal and informal credit markets in rural areas in LDCs, focusing both on the nature of credit contracts as well as interest rates and credit access.

(b) Provide a brief (and verbal) explanation of these differences.

(c) What are the implications of your explanation for the design of rural credit policies in LDCs, that aims to expand access of the poor to credit?