

## Introduction to the Economics of Development (January 2022)

**Question 1:** Briefly explain the following concepts:

- Diminishing marginal returns
- Blended finance
- Hidden hunger
- Nominal GDP

**Question 2a:** Quote 3 statements from the article that indicate the importance of remittances for low and middle income countries.

**Question 2b:** Give 2 pull and 2 push factors that cause migration.

### **Remittances have cushioned the impact of covid-19 in poor countries**

The covid-19 pandemic has been especially harrowing for migrants. Not only have they suffered through the pandemic themselves, many have been stuck overseas and forced to watch from afar as their families back home struggled. Others lost their jobs or found themselves unable to travel for work. But new data show that those that are abroad are helping their families enormously.

In 2021 remittances to low- and middle-income countries are projected to reach \$589bn, a 5.5% increase over pre-pandemic levels in 2019, according to the World Bank. More surprisingly, even during the worst of the pandemic in 2020 remittances fell by just 1.7%. This resilience is a welcome contradiction to early predictions that the pandemic would squeeze remittances. Instead, the money has continued to flow. But the World Bank finds that during the pandemic many migrants went to even greater lengths to reduce their own spending or draw on savings in order to send money home. Many were also helped by favourable conditions in their richer host countries, where quicker economic recoveries, as well as subsidies and employment programmes, ensured an income.

For many countries, remittances are invaluable. And in some places they are the most important economic inflow. In the Gambia and Lebanon remittances in 2021 will account for more than 30% of gdp. In 54 other countries they will make up more than 5% of gdp. Taken together, remittances in 2021 are expected to surpass both foreign direct investment inflows and aid to low- and middle-income countries. In the poorest countries especially, remittances have been a lifeline, which have helped to stem economic losses and bolster patchy social safety-nets.

For many migrants, and countries that send migrants abroad, the future looks uncertain. Although the World Bank expects remittances to continue growing in 2022 it warns that the end of fiscal-stimulus programmes and slowing economic recoveries in rich countries may harm them. Demand for migrants is changing too. Border closures in some parts of the world continue to keep migrants out. And in many places attitudes towards immigrants have worsened during covid, while demand for low-paid jobs has increased among locals. If these trends continue, remittances could fall again, much to the loss of poor countries.

**Question 3a:** Agricultural reforms in the Former Soviet Union and China had very different effects on gross agricultural output. Explain these differences using the price/subsidy mechanism.

**Question 3b:** Briefly explain 'private sector vertical coordination'.

**Question 4a:** Give and explain two reasons why GDP per capita is a weak indicator for development.

**Question 4b:** Give and explain two alternative measures for development.

**Question 5:** Describe and explain the 4 dimensions of food security.

**Question 6:** Give and explain the 3 mechanisms by which agriculture contributes to development.

**Question 7a:** Explain the 'tragedy of the commons'.

**Question 7b:** Give and explain 4 economic impacts of climate change in developing countries.

**Question 8a:** Give and explain the 2 reasons why it is hard for formal lenders to give loans to poor people.

**Question 8b:** Explain 2 shortcomings of microfinance lending.