

Study Questions

Lecture 21 International Policies for Economic Development: Aid

Part 1: Multiple Choice

Select the **best** answer of those given.

1. What is the Millennium Challenge Account?
 - a. A global fund for providing medical assistance to victims of AIDS, tuberculosis, and malaria.
 - b. A new source of international reserves set up by the International Monetary Fund to be used by central banks of developing countries.
 - c. A pot of money provided by Bill Gates and George Soros, to be used as matching grants for promoting political reform in developing countries.
 - d. A performance-based aid program that would provide assistance only to countries with a proven record of good policies.
 - e. A proposed new name for the current account.

2. Which of the following is a valid reason why the United States should seek to reduce poverty in developing countries?
 - a. Poor foreign workers are undernourished and cannot produce profitably in American-owned factories abroad.
 - b. As incomes in developing countries rise, their people will contribute more to the causes championed by US nongovernmental organizations.
 - c. Poor countries can be breeding grounds for terrorists and extremists.
 - d. Poor people would rather enjoy leisure than buy US-made goods.
 - e. As incomes of developing countries rise, they are more likely to start wars with each other, and this provides a market for US-made armaments.

3. What country, in 2005, gave the largest amount of official development assistance in proportion to its Gross National Income?
 - a. Austria
 - b. Japan
 - c. Norway
 - d. France
 - e. United States

4. What is missing, in measures of official development assistance, that may make figures like those cited in question 3 misleading?
 - a. Aid provided by private individuals and foundations
 - b. Aid the governments give for humanitarian assistance
 - c. Aid that countries give to individual other countries, rather than through multilateral institutions
 - d. Foreign direct investment
 - e. Aid that is given for political purposes

5. How much aid, as a fraction of their incomes, did the people behind the “Live 8” concerts want the G8 to commit to?
 - a. 0.07%
 - b. 0.20%
 - c. 0.70%
 - d. 1.20%
 - e. 1.70%

6. According to the Economist article, “Size Matters,” which of the following types of countries tend to get the most aid per capita?
 - a. Countries with large populations.
 - b. Countries with small populations.
 - c. Poor countries.
 - d. Countries with few natural resources.
 - e. Countries with good governance.

7. Suppose that USAID (the United States Agency for International Development) in Washington were to fund an infrastructure project in, say, Ghana, paying a US construction firm to build a road there. Which of the following are among Eberstadt and Adelman's "characteristics for success" that are violated by this project?
 - a. Local ownership and initiative, since local government is not involved.
 - b. Partnership, since the USAID alone initiates the project.
 - c. Leverage, since USAID pays for it itself.
 - d. All of the above.
 - e. None of the above.

8. Why is it hard to discern statistically whether aid causes an increase in economic growth?
 - a. Reliable data on aid flows are hard to get.
 - b. We only have data on GDPs of countries, not on other measures of economic success.
 - c. There could be causation going from growth to aid.
 - d. Measured GDP includes aid, and therefore the two cannot be distinguished.
 - e. Economic growth is measured for countries, but foreign aid goes to individuals.

9. How do Levinsohn and McMillan determine who gains and who loses from food aid?
 - a. They ask the US Department of Agriculture how much food aid each country gets in comparison to their incomes.
 - b. They survey households in a developing country to find which buy more than they sell of the food products provided as aid.
 - c. They use data from the Food and Agriculture Organization (FAO) on the exports and imports of food by developing countries.
 - d. They calculate the nutritional value of different foods in comparison to their costs.
 - e. They analyze satellite maps of the world to determine where various crops are produced.

10. The World Bank's "Doing Business" indicators

- a. Record the industries in which countries have comparative advantage.
- b. Rank countries by the size of their foreign direct investment as host countries.
- c. Rank countries by the size of their foreign direct investment as source countries.
- d. Measure the ease of starting and running a business in many countries.
- e. Are a hindrance to economic development because they deter investment in poor countries.

11. How do the Millennium Development Goals (MDG) and the Sustainable Development Goals (SDG) differ:

- a. The MDG were to be completed by 2015 while the SDG began in 2016.
- b. The SDG include more than twice as many goals as the MDG.
- c. The MDG were to be completed in ten years, while 15 years are allowed for the SDG.
- d. The MDG include a single goal of eradicating extreme poverty and hunger, while the SDG include "zero poverty" and "zero hunger" as two separate goals.
- e. All of the above.

Part II: Short Answer

Answer in the space provided.

1. Define and explain:

- a. Tied aid
- b. MCA and MCC
- c. DAC

2. Go to the Doing Business website, and answer the following from its rankings for 2019. The website is at <http://www.doingbusiness.org/rankings>
 - a. What country ranked No. 1 in terms of overall Ease of Doing Business
 - b. How many countries (and other units, such as Hong Kong) are included in the rankings?
 - c. In what category does the US rank highest, and in what does it rank lowest?
 - d. Is China in the top half of the rankings or in the bottom half?
 - e. Does Mexico rank higher or lower than China?
 - f. What country in the Western Hemisphere ranks lowest?
 - g. What country in the Western Hemisphere does not appear in the rankings?