

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.

2. Go to the Doing Business website, and answer the following from its rankings for 2018. 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?