

Place your name on the back of this sheet of paper and nowhere else. Staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 10 points. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type it will cost you 10 points. If you use double-sided printing or print on the back of scrap paper, I will give you one additional point.

1) (20 points) Bono (singer of U2) and Sir Bob Geldof (Live Aid organizer and singer of Boomtown Rats) have pushed to get the World Bank to forgive some of the debt of 41 developing countries. Why might that be a good idea? Why might it be a bad idea? Which side do you think has a stronger argument? Explain your logic.

2) (10 points each) For each of the following, explain how it works and how it benefits both the lenders and the developing country.

A) Debt buybacks

B) Rescheduling

3) (10 points) The book says that a government can stop a panic by borrowing official reserves from the IMF or World Bank. How would that help reduce the panic?

4) (20 points) I believe that the US government still has price supports for wheat. As a result, they buy wheat from US farmers at high prices and sell it cheap or give it away to poor countries, often in Africa. Giving it away is when there is a natural disaster, so we will ignore that. From the African country's point of view, the US government's actions have benefits and costs. What is one benefit and one cost? Overall, do you think it is a good program? Explain your logic.

5) (10 points) Often official aid to a developing country comes with preconditions. Tell me one common precondition and explain why that would be included.

6) (10 points) Some economists feel that aid, other than humanitarian relief, usually has adverse long-term consequences. Explain their logic.

7) (10 points) What types of aid to NGOs normally give? Why might that not be the best type of aid?