Write your name on the cover of the test booklet and nowhere else. Enclose this sheet with the booklet. Failure to follow these directions will cost you 1 point. The test has 100 points (to be scaled up to 160 points) and is scheduled to take 50 minutes. Therefore, expect to spend 1 minute for every 2 points. For example, a 12-point question should take 6 minutes. I cannot give extra time because some students have a class after your class.

1) (18 points) Answer EITHER Part A OR Part B.
A) What are the two types of underemployment? Which type of underemployment is common in developing countries? Explain your logic.
B) How much do the factories pay their employees? Explain why they pay that. How much do farms pay their employees? Explain why they pay that?

2) (18 points) Answer EITHER Part A OR Part B.
A) Swaziland has a average life expectancy of 48.9, an expected years of schooling of 11.4 with mean years of school of 6.8, and a GNI per capita of $7,522. Set up the calculation you would do to calculate the HDI. Do not worry about actually doing the calculation. Briefly explain what you would do with the numbers. Maximum income per capita is $75,000, minimum income per capita of 100, maximum life expectancy is 85, minimum life expectancy of 20, maximum mean years of schooling is 15, and maximum expected years of schooling is 18.
B) When calculating the HDI, one component of it is GNI per capita. How do they turn that into a number which varies from 0 to 100%? Why do they convert it that way? Why do they add the other variables to GNI per capita?

3) (20 points) For EITHER the Millennium Development Goal in Part A OR the MDG in Part B, explain why that goal is desirable. If you ruled a developing country in 1990, what would you do to achieve this goal? Explain how that would help to achieve the goal.
A) Eliminate gender disparity in primary and secondary education, preferably by 2005 and to all levels of education by 2025.
B) Halve by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation.

4) (20 points) Draw the diagram for the two sector labor supply and labor demand diagram for labor in industry and rural areas. Assume there is minimum wage. Illustrate the effects EITHER the event in Part A OR the event in Part B. Explain why the curve(s) moved as drawn. What happens to the wage rate in farming and in the industry, and the amount of labor in both sectors? State how you found each of those on the graph.
A) The minimum wage is increased.
B) The population increases.

5) (24 points) For EITHER the "characteristic of rapidly developing countries" listed in Part A OR the characteristic in Part B, explain what the term means and how that helps the country to develop. What can the government do to help that? Explain your logic.
A) Openness to trade
B) Effective governance and institutions.