

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) (10 points) Suppose that a country has a poverty line \$1.25/day per capita. There are 1000 people in the country. 300 of them are below the poverty line. The average income of the people below the poverty line is \$1/day per capita. What is the poverty gap for the country? Show all work.
- 2) (15 points) Why is the poverty gap a better measure of poverty in the country than the head count? Explain your logic.
- 3) (20 points) What is meant by “pro-poor economic growth”? What can a government do to encourage that?
- 4) (20 points) What is meant by “conditional cash transfers”? Give an example and explain why that is better than just handing out money.
- 5) (35 points) Draw the two graphs of the demographic transition. The first graph has births and deaths for 1000 people over time and the second one had the natural increase in population over time. Explain why they take their respective shapes.