INSTRUCTIONS TO CANDIDATES

1. This paper consists of 3 pages.
2. Answer ANY FOUR (4) questions.
3. All questions carry equal marks.
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Leave a line after each paragraph and demarcate clearly each section or sub-section of a question answered.

**QUESTION 1**

1a. List 3 distinct economic characteristics that South Africa (or your country of origin) shares in common with developing economies and briefly describe them. Support your answer with relevant statistics. (15)

1b. Examine from a theoretical and an empirical perspective the link between happiness and income in developing and developed countries. (10)

**QUESTION 2**

In 1996 President Mandela of South Africa said that his government had an urgent need to spend on socio-economic needs and as a result it could not invest heavily in the South African industry. So he solicited foreign aid and urged businesses in other countries to do so in South Africa to help reduce the high unemployment.

Explain why businesses might invest overseas and discuss whether it is always beneficial to South Africa as a host country to welcome foreign businesses and foreign aid.

**QUESTION 3**

3a. Although Singapore does not have many natural resources as many other countries in Africa, it has managed to pull itself through to the rank of a developed economy in terms of real GDP per capita, while many countries in Africa are still considered as low-income nations. As a student of Economics, what measures would you use to reflect the progress on economic development of a country? Choose South Africa as a reference country. (10)

3b. In your view, how can one explain the slow economic progress of many countries in Sub-Sahara Africa relative to that of Singapore? (15)
QUESTION 4 [25 MARKS]

4a. Agriculture is an important sector for the development of any nation, irrespective of its level of development. With reference to the South African economy, critically examine this statement. (10)

4b. Explain and distinguish between an income effect and a substitution effect in the context of ordinal utility analysis, and show how these effects can be applied to the microeconomic household theory of fertility. (15)

QUESTION 5 [25 MARKS]

5a. Discuss with the help of graph(s) the implications of:

(i) a perfectly elastic supply of labour,
(ii) a relatively elastic supply of labour, on the growth and development process in a Lewis-type economy. (15)

5b. Briefly examine how the limitations of the Lewis model are addressed by the Chenery-Kuznets model. (10)

QUESTION 6 [25 MARKS]

Compare and contrast the contributions made by A. Schumpeter and A. Sen to our understanding of the process of economic development in a country.