Development Economics (ECEU602002)
Odd Semester 2019
Mid-term Exam

Date   : Tuesday, 22 October 2019
Duration   : 3 hours (180 minutes)
Lecturer   : Prof. Iwan Jaya Azis

- All 4 questions are compulsory to answer.
- This exam is closed book/closed notes.

I. Definitional: Labor Market

The term "demographic bonus" or "demographic dividend" are closely related to a country's state of labor market, in particular the age composition of the labor force.
a. Explain what is "demographic bonus" and what is the state of it in Indonesia at this moment. Include in your answer not just the definition of it but also the link with the quality (e.g., educational background) of the labor force
b. Give your analysis that links "demographic bonus" and unemployment

II. Sustainable Development

To the extent the focus of the development economics should be on human welfare and economic growth is only one of the means to achieve welfare, it is expected that growth should be accompanied by improvements in indicators closely related to welfare such as income inequality (measured by the Gini index) and poverty. Looking at Tables 1 to 3 below, where the regions (provinces) in Indonesia during 2011-2018 are listed and positioned in the 4 quadrants according to their relative position with respect to the national average of growth, changes in Gini index, changes in poverty, and changes in the human development index (HDI)

a. Explain the meaning of each quadrant by using examples of some regions in those quadrants
b. Give your overall conclusions regarding Indonesia's growth and development performance based on the results shown in those two matrices

III. Inequalities, Human Capital, Social Capital & Physical Capital

Global inequalities are produced by the interaction between structural inequalities and market forces. The experiences of East Asia in the 1940s and 1950s and Latin America in the 1990s and 2000s are examples of favorable outcomes, and the experiences of Eastern Europe in the 1990s and the apartheid period in South Africa show the unfavorable ones.

a) Based on the common threads of global trend, describe what determines the inequalities outcomes and what policies are most commonly used in developing countries.

b) The role of human capital (HC) and physical capital (PC) is critical in determining the structural inequalities. But social capital (SC) influences the mechanisms how HC and PC affect the inequalities, growth, and development outcomes. Explain by using some examples how HC, PC and SC interact and affect the inequalities and development outcomes.

c) Give some examples of policy measures that could influence the above mechanisms

IV. Infrastructure

Infrastructure development can play an important role in meeting the sustainable development goals.

a. Explain how and give the example of circumstances under which infrastructure development can be detrimental to sustainable development

b. While most infrastructure projects contain physical components, the non-physical components are equally important. Explain by using an example what are the non-physical components of infrastructure

c. Give an example where transportation infrastructure (e.g., road development) could exacerbate the existing interregional inequality

Table 1 Poverty Eradication and GDRP Growth 2011-2018 (Alternative 2)

	ECONOMIC=GOOD Relatively High GDRP Growth	ECONOMIC=BAD Relatively Low GDRP Growth
SOCIAL=GOOD Poverty Rate decreased **more** than the National Poverty Rate decreases	JAWA BARAT MALUKU LAMPUNG JAWA TENGAH DI YOGYAKARTA JAWA TIMUR GORONTALO SULAWESI TENGGARA	ACEH PAPUA BARAT PAPUA NUSA TENGGARA BARAT
SOCIAL=BAD Poverty Rate decreased **less** than the National Poverty Rate decreases (note: Kalimantan Utara has an increasing Poverty Rate)	SULAWESI BARAT MALUKU UTARA SUMATERA UTARA SUMATERA BARAT SULAWESI TENGAH BENGKULU KALIMANTAN TENGAH SULAWESI SELATAN SUMATERA SELATAN SULAWESI UTARA JAMBI BALI DKI JAKARTA	KALIMANTAN UTARA KEP. RIAU RIAU KALIMANTAN BARAT BANTEN KEP. BANGKA BELITUNG KALIMANTAN TIMUR KALIMANTAN SELATAN NUSA TENGGARA TIMUR

Fisher Exact Test statistic: 0.7271, not significant at $p<0.05$

Table 2 GINI Ratio and GDRP Growth 2011-2018

	ECONOMIC=GOOD Relatively High GDRP Growth	ECONOMIC=BAD Relatively Low GDRP Growth
SOCIAL=GOOD Provincial GINI index decreased **more** than National GINI index decreases	DKI JAKARTA SUMATERA UTARA LAMPUNG SUMATERA BARAT JAWA TENGAH BALI GORONTALO SULAWESI TENGAH MALUKU	KALIMANTAN TIMUR KEP. BANGKA BELITUNG KALIMANTAN SELATAN KALIMANTAN BARAT BANTEN
SOCIAL=BAD Provincial GINI index decreased **less** than National GINI index decreases (note: Some provinces have increasing GINI index)	SULAWESI TENGGARA SULAWESI SELATAN SULAWESI UTARA JAWA BARAT JAMBI BENGKULU JAWA TIMUR SUMATERA SELATAN MALUKU UTARA KALIMANTAN TENGAH DI YOGYAKARTA SULAWESI BARAT	PAPUA BARAT PAPUA RIAU ACEH NUSA TENGGARA TIMUR KALIMANTAN UTARA KEP. RIAU NUSA TENGGARA BARAT

Fisher Exact Test statistic: 1, not significant at $p < 0.05$

Table 3 Human Development Index and GDRP Growth 2011-2018

	ECONOMIC=GOOD Relatively High GDRP Growth	ECONOMIC=BAD Relatively Low GDRP Growth
SOCIAL=GOOD Provincial HDI increased **more** than National HDI increases	BENGKULU JAWA BARAT JAMBI MALUKU UTARA LAMPUNG JAWA TENGAH JAWA TIMUR SULAWESI BARAT SULAWESI TENGAH	PAPUA KEP. RIAU NUSA TENGGARA BARAT KALIMANTAN BARAT
SOCIAL=BAD Provincial HDI increased **less** than National HDI increases (note: Some provinces have decreasing HDI index)	DKI JAKARTA DI YOGYAKARTA SUMATERA UTARA SULAWESI UTARA BALI SUMATERA BARAT KALIMANTAN TENGAH SULAWESI TENGGARA MALUKU GORONTALO SULAWESI SELATAN SUMATERA SELATAN	KALIMANTAN UTARA RIAU ACEH BANTEN KALIMANTAN TIMUR PAPUA BARAT KEP. BANGKA BELITUNG NUSA TENGGARA TIMUR KALIMANTAN SELATAN

Fisher Exact Test statistic: 0.7178, not significant at $p < 0.05$