

Place your name on the back of this sheet of paper and nowhere else. Staple your answers face up on the front of this sheet of paper. Failure to follow these directions will cost you 1 point. 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) Why do developing countries have low savings rates? Why is that a problem for development?
- 2) (25 points) A lot of developing countries have a large foreign debt. Why do they have such a large debt? Why is it a bigger problem for them than for the USA?
- 3) (25 points) Our government supports American farmers by buying some of their wheat and either giving it away to countries with a drought or selling it very cheap to very poor countries. From the point of view of the poor countries, selling the wheat cheap is both good and bad. Explain both sides. Do you think we should continue selling the wheat cheap? Explain your logic.
- 4) (20 points) There is a term, LLDC which stands for “land-locked developing countries.” What does that mean? These countries have their own special problems. Explain one problem.
- 5) (10 points) Why is a limited number of exports a potential problem for a developing country?