

Do not write your name on the assignment. Write your name only on the back of this sheet of paper and staple your answers on the front of this sheet of paper. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to follow these directions will cost you 1 point on the assignment and failure to type it will cost you 10 points.

- 1) (25 points) Use the article below, which came from BBCnews.com, to answer this question. Illustrate on the PPF (PPC) how hunger affects the curve. Explain why the countries have problems growing by referring to the PPF (PPC) for capital vs. consumption.
- 2) (15 points) The average growth rate of GDP for the USA was 2.0% from 1974 until 1996. From World War II until 1974 and since 1996, it was 2.5%. (I believe that it will go back down to 2.0% soon.) Since ½% is not much, why should we be concerned about it?
- 3) (20 points) Some countries like Russia, basically do not enforce intellectual property rights and barely enforce patents. Is that good or bad? Explain your logic.
- 4) (20 points) Why is *limiting protectionism* a key to economic development?
- 5) (20 points) Draw a normally shaped LRAS and AD diagram. Explain why the curves take the shapes you drew.

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'No drop' in world hunger deaths

A child still dies of hunger every five seconds, eight years on from a pledge to halve the world's hungry by 2015, a United Nations agency has said.

The annual UN Food and Agriculture Organisation (FAO) report says present levels of hunger cause the death of more than five million children a year.

The number of chronically hungry people has hardly budged since 1996.

But the FAO says the target of halving that figure remains within reach, and has urged richer nations to do more.

'Ruined lives'

It argues that fighting hunger is a good investment, saying the global costs of achieving the 2015 target pale against the price of not acting.

The State of Food Insecurity in the World 2004 report says hunger and malnutrition cost about \$30bn (£15.5bn) each year in direct medical expenses, with indirect costs costing billions more.

The FAO estimates an annual funding increase of \$24bn (£12.4bn) to reach the hunger target would be repaid almost five-fold in increased productivity and income.

Lynn Brown, chair of the report's working group, said: "The number of hungry people remains intolerably high, progress in reaching them unconscionably slow and the costs in ruined lives and wasted resources incalculably large."

A worsening situation in China and India, the world's most populous nations, is largely blamed by the FAO for the recent rise in hunger levels.

However, all but one of the countries with the highest levels of hunger are in sub-Saharan Africa.

Governments set the target of cutting the number of undernourished people by half in 2015 at the UN World Food Summit in 1996.

But by 2000-2002, the number of chronically hungry in developing nations stood at 815 million, only nine million fewer than the estimate made a decade earlier.

The FAO's Hartwig De Haen said the 2015 target was "ambitious but still feasible".

