INSTRUCTION: Students are to answer all questions, and are required to begin each question on a fresh page and in their own interest to write legibly.

QUESTION 1

Complete the following statements by providing appropriate answers

1.1 According to Ghatak and Ingersent (1984), the characteristics of agriculture in Less Developed Countries (LDCs) are; 
   i) ___________________________________________
   ii) ___________________________________________
   iii) ___________________________________________
   iv) ___________________________________________
   v) ___________________________________________

1.2 If food supplies do not expand fast enough, food prices will rise. Rising food prices could lead to; 
   i) ___________________________________________
   ii) ___________________________________________
   iii) ___________________________________________
   iv) ___________________________________________

1.3 Growing a surplus of agricultural products is an important component of economic growth in typical LDCs because; 
   i) ___________________________________________
   ii) ___________________________________________
   iii) ___________________ iv) ___________________

1.4 The assumption underlying Low’s model of a traditional rural households in Southern Africa are; 
   i) ___________________________________________
   ii) ___________________________________________
   iii) ___________________ iv) ___________________
1.5 Capital transfers from agriculture to industrial sector can occur voluntarily when certain preconditions prevail, namely:
   i) __________________________________________
   ii) __________________________________________
   iii) __________________________________________

[20]

QUESTION 2

State whether the following are TRUE or FALSE. Give reasons for your answers.

2.1 For most developing countries, urbanization requires real growth in domestic food production. (4)

2.2 The rate of natural increase tends to be higher in rural population than in urban population. (3)

2.3 As industrialisation and urbanisation proceed in a LDC, the rate of increase in the urban demand for food tends to exceed the rate of growth in urban employment. (3)

2.4 According to Low’s household model, improvements in education result in rural-urban migration of workers. (3)

2.5 The assumption of the Lewis model that transfer of labour from rural to urban areas is “painless” from an economic perspective is appropriate for KwaZulu. (4)

2.6 The type of agricultural technologies (land or labour augmenting) that will be developed in a country is determined by relative factor price. (4)

2.7 Most poor countries are not growing fast because they lack natural resources, capital and skills (3)

2.8 Cultural diversity that manifests in a multi-party democracy is good for economic growth. (3)

2.9 Cheap institutional credit can reduce small farmers’ access to both formal and informal credit (3)

2.10 There is no reason why the adoption of technology should be influenced by farm size when technologies are divisible (3)

2.11 If the rental market for agricultural land is efficient, rights to use the land will transfer to the most skilled farmers (3)
2.12 Customary tenure is secure because land rights are usually held in perpetuity and can be bequeathed to an heir. (4)

[40]

**QUESTION 3**

Critically discuss the appropriateness of using Chayanov’s model to derive policy strategies to promote agricultural development in KwaZulu. [10]

**QUESTION 4**

4.1 Discuss the different ways in which agriculture contributes to the economic growth of a Less Developed Countries (LDCs). (7½)

4.2 Open access to communal grazing land creates negative externalities. To prevent the problem of over-exploitation of communal grazing, as an economist what solution would you suggest. (7½)

[15]

**QUESTION 5**

A group of small farmers has approached you to help them established a co-operative to pack and market their potatoes collectively. Explain why you might advise them to register their proposed business as a private company rather than as a co-operative. [15]