The exam has 2 parts, with a total of 9 required questions. There is no single best answer for these questions. Please do not leave any question blank! The exam is designed to take an hour and a half, though you have the full 3 hours to complete it. Use the final pages if you need more space. Please write legibly, and label any diagrams clearly.

**Section 1: Key concepts (8 points each = 40 points)** Briefly (a) define the concept and (b) say why the concept is important for understanding economic development. Your answer can be brief, but be sure to do both (a) and (b) for each question.

1. Industrial policy in Korea

2. The financing gap
3. Marshallian inefficiency

4. Aid conditionality

5. Self-insurance
Section 2. Short answers (12 points each = 36 points). One good paragraph is sufficient for these questions.

6. Why do some of the leading aid-financed or public-sector microfinance institutions require that borrowers form groups rather than accessing microfinance individually? Do the rules that govern group lending have any disadvantages from the viewpoint of alleviating poverty?
7. Jonathan Morduch is enthusiastic about the development of rainfall insurance innovations in low-income countries. Given what you know about the risks faced by farm households, and the wide variety of existing mechanisms these households use to deal with these risks, do you think rainfall insurance will make an important difference for the welfare of rural populations in these countries? Explain why or why not.
8. “The conventional wisdom in mainstream development policy circles is that transfers to the poor are at best a short-term palliative and at worst a waste of money. They are not seen as a core element of an effective long-term poverty-reduction strategy.”

The above quotation is from Martin Ravaillon’s chapter in *Understanding Poverty* (p. 203). Briefly convince a conventional/mainstream economist that transfers to the poor should in fact be a core element of long-term poverty-reduction strategy in developing countries.
Section 3. Longer essay (24 points)

9. By comparison with other regions of the world, Sub-Saharan Africa is richly endowed with mineral resources and agricultural land per capita, and poorly endowed with human capital. This resource endowment implies a comparative advantage in exporting primary commodities (fuels, minerals, or agricultural commodities) and importing manufactured goods. In a recent characterization of the so-called *Beijing Consensus*, John Williamson – the author of the original Washington Consensus -- says that one of the 5 central pillars of the Beijing Consensus is *export-led growth*.

What do you think Williamson means by export-led growth? Do you consider export-led growth to be the right trade strategy for Sub-Saharan African countries, given their current comparative advantage? Explain your reasoning, emphasizing the arguments and evidence you consider important.