Midterm Exam
Ec 81: Economic Development
Swarthmore College

The exam has 2 parts, with a total of 8 questions. Please use the final page if you need more space.

Section 1: Identifications (9 points each) Define the concept and indicate its importance for interpreting development experience. Be brief: two sentences is enough!

1. Total factor productivity

2. The Lewis surplus labor model

3. Poverty-inequality-growth triangle

4. Washington Consensus
Section 2. Short answers (16 points each)
5. The government of China introduced a one-child policy in 1979, which succeeded in sharply reducing the population growth rate. According to the neoclassical (Solow) growth model, what impact should such a policy have on real GDP per capita over time? Show your answer in a diagram and briefly explain.
6. Demonstrate *tariff-quota equivalence* on a diagram and briefly explain the sense in which the two policies are equivalent. Then explain why economists very strongly prefer tariffs to quotas as instruments of trade policy.
7. Choose either Acemoglu, Johnson and Robinson or Engerman and Sokoloff. Indicate what institutions your chosen authors think are the deep determinants of economic prosperity. Explain as clearly as you can how these authors try to establish causality from institutions to prosperity.

Your choice:
8. Ravallion argues that in low-income countries, the prevalence of *unmitigated inequalities* and *uninsured risks* may invalidate the tradeoff between equity and efficiency (sometimes stated as a tradeoff between redistribution and growth). Choose one of these two categories (unmitigated inequalities or uninsured risks). Give an example of what Ravaillion is talking about, and briefly indicate what kind of policy intervention might succeed in enhancing both equity and efficiency.