The exam consists of 4 short essays, with equal weight. You do not have much time – only 12 minutes per essay! So keep it short and to the point. Please don’t leave anything blank. Please use the final pages if you need more space.

1. Many economists viewed Africa’s economic growth opportunities as favorable in the early 1960s, due to the abundance of land, the possibilities for technology transfer in public health, agriculture, and industry, and the potential for redirecting policy to domestic ends. In contrast, Collier and O’Connell (with the benefit of hindsight) argue that Africa’s opportunities were unusually adverse, by global standards. What do they mean by this? Do adverse opportunities fully account for Africa’s relative economic performance between 1960 and 1995?
2. Aid to the median African country has exceeded 10% of GDP for most of the years between 1970 and the present. Yet Jeffrey Sachs has nonetheless argued forcefully that aid has been too small to be transformative. What is his argument? Do you find it convincing?
3. The ‘financing gap’ approach to aid requirements relies on three simple statements:
   1. Larger aid means a larger trade deficit (the balance of payments identity states that
      \[ TD = Aid + \text{Other net external inflows}; \]
   2. A larger trade deficit means more domestic investment (the national accounts identity
      states that \( Investment = Gross\ domestic\ saving + Trade\ deficit); \]
   3. More investment means faster economic growth (this comes from a simple production
      function of the form \( GDP = A \cdot K, \text{once we know that by definition,} \Delta K = Investment - \text{depreciation}. \)

These statements imply that donors can help countries to reach ambitious growth targets by closing
the gap between the investment level required by the growth target and the financing provided by
domestic saving and ‘other net inflows’. Identify and discuss two specific ‘weak spots’ in this logic –
in other words, two specific ways in which one or more of these statements can go badly wrong.
4. Radelet argues that by the mid-1990s, economic and political reforms had created a new and favorable growth environment in large parts of Africa. O’Connell and Dolan agree with this.
4.1. What were the most important economic and political reforms, in your view?
4.2. Do you think the major economic and political reforms have been mutually reinforcing in terms of their impacts on the growth environment, largely independent of each other in that respect, or positively at odds with each other (i.e., the political reforms undermine the economic reform, or vice versa)?