

**Ec 81: Economic Development
Midterm Exam**

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Instructions: Choose any 5 questions, and write a short essay. All questions have equal weight. A good essay is analytically clear and refers to empirical evidence and/or country examples where relevant. Please label any diagrams and write legibly.

1. Does capital accumulation or productivity play a larger role in accounting for international differences in GDP per capita? What aspects of governance do Hall and Jones (1999) propose as the underlying determinants of these variables?
2. The Harrod-Domar equation is $g = (s/v) - d$, where g is the growth rate of real GDP, s is the ratio of domestic saving to GDP, and d is the rate of depreciation of capital (this is for the case in which aid is zero). Define v carefully, and explain what the engine of growth is in this model. This model is often used to calculate the amount of foreign aid a country would need to reach some specified growth target. Identify two important reasons this exercise is likely to be highly misleading. Be specific and explain.
3. Advising the government of Ghana (then the Gold Coast) in 1953, W. Arthur Lewis argued that the government should focus its efforts on raising agricultural productivity rather than on transferring resources to industry. Interpret this advice from the perspective of the Lewis surplus-labor model.
4. What is rent-seeking, and why do economists regard it as socially costly? Give an example of a policy intervention that might be justified in the absence of rent-seeking but that could produce an overall welfare loss if rent-seeking emerges.
5. What is the Kuznets conjecture, and what mechanisms might generate the pattern Kuznets described? How has the Kuznets conjecture fared empirically, as a generalization about the development process?
6. The first MDG is to cut the 1990 poverty headcount ratio in half by the year 2015, using a global poverty line of \$1 PPP a day. What is PPP adjustment, and why is it important? What are the advantages or disadvantages of using the headcount ratio as a focus of anti-poverty policy?
7. Identify two categories of targeted transfer program that have had some success in developing countries. Explain the characteristic features of each category and give an example of each type.
8. How do the classical and neoclassical theories of fertility account for the correlation between development level and fertility, whether across countries or within individual countries over time?