Ec 2 The BRICs
Midterm exam

Prof S. O’Connell

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Instructions: Please write your name on the front of all bluebooks, but do not write your name inside the bluebooks. Answer all six questions; you can answer them in any order you prefer. Please write legibly.

Three short answers

1. Reproduce the table below in your bluebook (you can use the shorthand column labels). Fill in the table by ranking the 4 BRICs and the USA (5 countries) from highest to lowest in terms of population, total GDP in (real or nominal) US dollars at official exchange rates, and PPP-adjusted GDP per capita in (real or nominal) PPP-adjusted US dollars. You do not have to provide the actual numbers. Your ranking should refer to the period 2005-10 or any sub-period of that interval.

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2. What (roughly) is the ratio of total GDP in the BRICs to total GDP in the USA in 2010, at official exchange rates?

3. In 2003, Wilson et al. (2003) predicted that China’s GDP, when measured at official exchange rates, would grow much faster than the USA’s between 2000 and 2050. They also predicted that China’s growth rate would decline over time. List 3 factors that drive their prediction of a declining growth rate for China.

Three short essays A short essay is something like 3 or so bluebook pages. Each question makes reference to one or more of our readings. Read the questions carefully, and make sure you respond to the question that has been asked. Bring in whatever material from these readings – or from other parts of the seminar – you feel is most relevant for crafting a clear and convincing answer.

4. Before the industrial revolution, it did not matter much in terms of your lifetime economic prospects where on the globe you were born. Global inequality was low, because to a first approximation every country was poor. Advances in technology and institutions now support high incomes in large parts of the world, but global inequality (across countries) is extremely high. I can imagine three rough interpretations of this situation, from the viewpoint of a low-income country seeking to achieve prosperity. One, I need to lay the groundwork for growth by replicating the institutions and practices of rich countries. Two, I can leapfrog the growth process through some appropriate combination of private- and public-sector action. Three, given that neither of these two things have happened in the space of 200+ years, I am clearly too poor to grow. Interestingly, neither Jones, Easterlin, Olson, or Gerschenkron has much time for interpretation #3. Choose one of these 4 authors, and discuss where they end up with respect to interpretations #1 or #2.

5. Russia’s economic reforms were radical and swift, and the reform period was one of economic collapse. Aslund nonetheless argues that the Russian reforms would have failed if they had been
more gradual. What is the evidence for this? What entitles Aslund to dismiss the Chinese example, which seems to associate gradualism with success?

6. Mancur Olson died in 1998, at a time of acute crisis in the Russian economy. His book was published posthumously, in 2000 – the year Vladimir Putin was elected President (having succeeded Boris Yeltsin, in December 1999, as acting President). Judging by economic growth rates, Putin has been very good for the Russian economy, both as President and since 2008 as Prime Minister and power-broker. From Olson’s perspective, can this strong growth performance be explained? Is it sustainable?