INSTRUCTIONS

- Please write your name only on the outside of your exam booklets, not inside.
- Please answer all questions. The guidelines about length of answers are meant to be helpful indicators, not strict prescriptions.

Part 1: Definition and relevance (10 points each) Define each concept and briefly illustrate its relevance to some real-world issue we have studied. (Approximately a paragraph for each answer.)
2. Olson’s Second Invisible Hand.
3. Total factor productivity.
4. Late industrialization.

Part 2: Short answer (12 points) (Maybe 2 bluebook pages.)
5. 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. What factors drive this forecast, and why do the forecasted growth rates for China decline over time?

Part 3: Short essays (16 points each) 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.

6. 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, my country needs to lay the groundwork for growth by replicating the institutions and practices of rich countries.

7. 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?

8. Freeland, Cooper and The Economist all seem to think that oil abundance is a mixed blessing for Russia. Why? How can it be bad to have low-cost energy, high foreign exchange earnings, and easy government revenues?