

Ec 81 Economic Development
Swarthmore College
Midterm Exam

Fall 2007

Prof. S. O'Connell

Instructions:

Please write your name below, and don't write it anywhere else on the exam.

The exam is 50 minutes. Choose any 6 out of the 7 questions; all of your answers will receive equal weight.

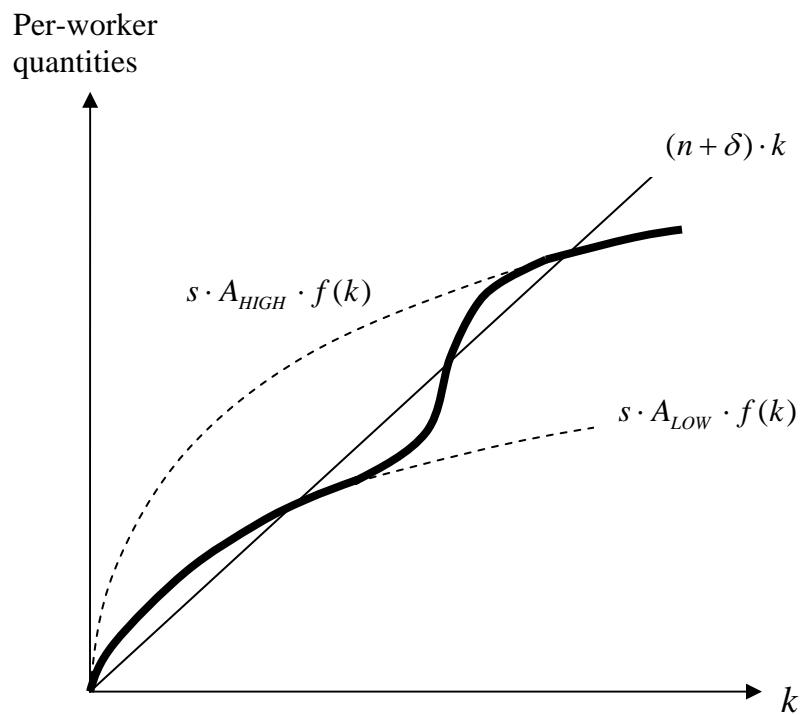
These are short answer questions, even if some of the questions look a bit long. Please be as clear as you can in your answers, and write legibly.

If you need more room for your answer, use the blank space at the back of the exam.

Make sure you answer exactly 6 questions, leaving only one of the 7 questions blank. Don't leave more than one question blank – if you are stuck, provide a few sentences to convince me that you understand what is being asked.

Student's name: _____

5. The figure below shows a modified neoclassical growth model in which the saving rate, population growth rate, and depreciation rate are all constants, but that the level of total factor productivity, A , is a function of the capital stock per worker. In particular, at low levels of the capital stock per worker A is equal to A_{LOW} , but as the country reaches lower-middle-income status it undergoes a ‘productivity transition’ in which A rises smoothly from A_{LOW} to A_{HIGH} . Does this economy display a poverty trap? Briefly explain.



6. What are the market failures that hold back the growth of labor productivity in the manufacturing sector in developing countries, according to Hausmann and Rodrik? How does this analysis motivate a policy package that combines 'promotion' with 'discipline'?

7. Engerman and Sokoloff and Hausmann and Rodrik both claim to shed light on the development experience of Latin America – Engerman and Sokoloff over the long haul, and Hausmann and Rodrik over the period since around 1960. Briefly state the central claim of each paper regarding Latin America's comparative growth experience. Are these claims mutually consistent?

