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: ________________________________
1. Has global income inequality increased, decreased, or both (depending on perspective) over the phase of globalization that began around 1960? Choose the best characterization and briefly explain your choice.

2. The Harrod-Domar model is often used to calculate a ‘savings gap’ that can be filled by foreign aid. For example, we might calculate that in order to meet the Millennium Development Goals, African countries have to achieve a per-capita growth rate of 5 percent over the next decade. According to the H-D model, this will only happen if the rate of capital deepening \( \Delta k / k \) is also 5 percent. But in the H-D model, \( \Delta k / k = s \cdot A - (n + \delta) \), so to achieve \( \Delta k / k = 0.05 \) through their own saving efforts, African countries would need a saving rate of \( s^* = \frac{0.05 + (n + \delta)}{A} \). If the population growth rate is 0.03 (3 percent), the depreciation rate is 0.04 (4 percent), and \( A = 1/3 \), the required saving rate is very high: \( s^* = 0.36 = 36\% \). Suppose that a realistic projection of the actual saving rate is 20 percent of GDP: \( s = 0.20 \). Then the ‘savings gap’ associated with a growth target of 5 percent is 36\% - 20\% = 16\%: in other words, if the industrial countries can maintain an aid flow equal to 16 percent of African countries’ GDP, the MDGs will be achieved. Question: Are the empirical results obtained by Hall and Jones consistent with this logic? Indicate Yes or No, and briefly explain.
3. As Minister of Economic Planning and Development, you have asked your staff to assess the likely impact of a proposed major anti-malaria project on the level of per-capita income in your country. Your country is currently at the 25\textsuperscript{th} percentile of the developing-country sample (i.e., only \(\frac{1}{4}\) of developing countries have a greater incidence of malaria), but this project will improve the country’s situation all the way from the 25\textsuperscript{th} to the 75\textsuperscript{th} percentile. Your staff brings you a cross-country scatter plot of malaria incidence (\(x\)-axis) versus real GDP per capita (\(y\)-axis), through which they have drawn the ‘best’ line. Based on this line, they have concluded that the malaria project will roughly triple real GDP per capita. They are excited. Why exactly are you skeptical?

4. Acemoglu \textit{et al} collected historical data on settler mortality rates in order to assess whether protections against expropriation risk are a powerful determinant of contemporary cross-country income differentials. Briefly sketch their argument.
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?