INSTRUCTIONS. Each question is worth 20 points. Choose one from each section, for a total of 5. These are SHORT ESSAYS (10 minutes each!). A good answer does not require more than a single concise paragraph, so be brief! Please write legibly. Make sure you hand in 5 answers. If you get stuck in a section, choose one of the questions in that section and tell me what you do know about it, and/or what you would need to know to answer it well.

Section 1. Choose 1 out of these 2:
1. The Harrod-Domar model says that a higher national saving rate generates a permanently higher growth rate of real GDP per capita. What does a higher saving rate do to the path of real GDP per capita in the neoclassical (Solow) model, and what accounts for the difference?
2. What do Hall and Jones (1999) mean by the concept ‘social infrastructure’? How do they measure this variable, and what do they find?

Section 2. Choose 1 out of these 2:
3. Can a temporary foreign aid program permanently move a country to a higher income or growth path? Explain briefly.
4. In separate chapters in UP, Engerman and Sokoloff and Acemoglu, Johnson and Robinson argue that institutions are an important determinant of economic prosperity. They try to establish causality by arguing that contemporary institutions are the legacy of quasi-experimental variation that occurred hundreds of years ago. Choose one of these historical arguments; briefly explain it (including what kind of institutions they are talking about) and say whether you find it convincing or not.

Section 3. This question is required:
5. In what sense are tariffs and quotas equivalent? Why do governments often prefer quotas to otherwise-equivalent tariffs, while economists prefer tariffs to otherwise-equivalent quotas?

Section 4. Choose 1 out of these 2:
6. What is the Kuznets Hypothesis? Do observed patterns of growth and inequality support it?
7. What has happened to global income inequality since World War II? Be explicit about your units of observation.

Section 5. Choose 1 out of these 2:
8. Ravallion notes that micro-panel studies on Hungary, Russia and China find a concave relationship between current and future household income. Explain why a concave recursion diagram implies that higher income inequality, other things equal, would lead to slower growth in average income. Give one example of an economic mechanism that might produce a concave recursion diagram.
9. You want to get health services to the poor children in urban areas. You are choosing between a conditional cash transfer system and a program that constructs stripped-down, generic public health clinics in lower-income neighborhoods. From a cost/benefit perspective, which would you prefer, and why?