

## Development Economics Sample Exam

Long Questions: (max 10 points each)

1) Explain why in an economy with no credit markets a dynasty may find it impossible to escape from poverty( Galor- Zeira Model).

2) Explain how the Gini Index is built.

Short Questions (max 5 points each). Choose 2 out of 3

1)What are two key parameters in explaining growth according to the Harrod-Domar model?

2)Explain what is meant by the term coordination failure and provide an example.

3) What are the components of the Human Development Index?

Multiple Choice Questions (max 2.5 points each)

1)The number of units of developing country currency required to purchase a basket of goods and services in a developing country that costs one dollar in the U.S. is given by

- a. GNI price deflator.
- b. Human Development Index ranking.
- c. purchasing power parity.
- d. the exchange rate.

2) Which of the following is an assumption of the Lewis two-sector model?

- (a) surplus labor in the rural sector
- (b) high unemployment in the urban modern sector
- (c) rising real urban wages

3) The O-ring theory places emphasis on

- (a) education of the labor force.
- (b) skill complementarities.
- (c) purchases of machinery and equipment by firms.
- (d) none of the above.