

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.