

Written Exam Economics summer 2016

**Development Economics**

23. August, 2016

(3-hour closed book exam)

Please note that the language used in your exam paper must correspond to the language of the title for which you registered during exam registration. I.e. if you registered for the English title of the course, you must write your exam paper in English. Likewise, if you registered for the Danish title of the course or if you registered for the English title which was followed by “eksamen på dansk” in brackets, you must write your exam paper in Danish.

**This exam question consists of 2 pages in total**

Please answer ALL questions.

### **Problem A**

Please provide short answers to the following questions and statements:

1. Please explain briefly the difference between exchange rate conversion and PPP conversion of GDP.
2. Please explain why global poverty is measured by the PPP \$1.25-a-day line and describe, briefly, how it was constructed.
3. Please define and explain two obstacles to international transfer of technology.
4. A micro lending organization is attempting to provide loans to small farmers. It is lending to farmers in groups of two.
  - a. Please provide at least two reasons why a strategy of group lending may be better than a strategy of lending to individuals.
  - b. Please provide at least two reasons why a strategy of group lending may be worse than a strategy of lending to individuals.
5. Suppose that educated and uneducated workers both produce the same output, but that educated workers earn more because they can steal part of what the uneducated produce. If this were true, how would it affect estimation of the return to education
  - i. using individual based wage equations (mincer regressions), and
  - ii. using country based macro production function equations?
6. Please, explain what "the Lucas paradox" is all about.
7. Please list at least five of the ten components of Williamson's Washington Consensus.

### **Problem B**

Please discuss issues related to population growth and economic development. Specifically,

- describe different theoretical links from population growth to income per capita (or labor productivity)
- describe and explain the observed decline in fertility across the world
- discuss in what sense family planning policies can be expected to lead to lower fertility rates in developing countries.

### **Problem C**

Please discuss issues related to foreign aid from donor countries to recipient countries. Specifically,

- describe and discuss different donor motives for foreign aid;
- describe the four broad economic and development objectives, that foreign aid is designed to meet;
- describe and discuss three views on the impact of aid on economic growth