

Written Exam for the B.Sc. in Economics summer 2013

Development Economics

Final Exam
June 14th, 2013

(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 including this page.

Please answer ALL questions.

Problem A

Please explain briefly:

1. What is the poverty head count ratio?
2. The main messages of the Harrod-Domar model.
3. The main explanations for high interest rates in informal credit markets in developing countries.
4. The meaning of the concept “terms of trade”.
5. What is the “demographic transition”?
6. What is an “institution” in the context of economic theory? Give at least two examples.
7. David Weil’s equation: $A = T \times E$.

Problem B

Please explain Kaushik Basu’s model of child labor. Discuss the main assumptions, conclusions and policy implications of the model.

Problem C

Does foreign aid to developing countries cause economic growth? Please discuss the evidence for and against this proposition. Also discuss whether aid is more effective in some circumstances than in others.