

Written Exam Economics summer 2016

Development Economics

30. May, 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. What is the so-called "Easterlin paradox"? Does it remain a paradox today?
2. Please explain what knowledge about poverty we gain from looking at the poverty gap index in addition to the poverty headcount index
3. According to the Lewis model: Do wages grow as labor is moved into the manufacturing sector during early phases of industrialization? Why/Why not?
4. Please explain briefly why the presence of limited liability may lead a landlord to prefer sharecropping over fixed rent tenancy.
5. What are "population optimists" and "population pessimists"? Provide two theoretical arguments in favor of either view.
6. Please sketch a survival curve for a poor and a rich country, respectively.
7. Please give three different motivations for providing foreign aid

Problem B

Please explain how growth accounting and development accounting can be used to illustrate the relative importance of factor accumulation and productivity growth in the process of economic development. Specifically,

- illustrate how development accounting decomposes relative income differences into factors of production and productivity and discuss the relative order of magnitude observed across countries;
- illustrate how productivity can be further decomposed and discuss ideas for such a decomposition of productivity gaps;
- give a brief account of obstacles to technology transfers from rich to poor countries; and finally
- give a brief account of different types of inefficiencies one may encounter across the world.

Problem C

Please describe and discuss the role of education in economic development. Specifically, describe

- the importance of education for production and well-being;
- the educational attainment across developing countries over the past 20 years;
- the private costs and benefits of education and the methods used to estimate the return to education;
- issues with the quality of schooling and some possible explanations of the variation in the quality of schooling.