

## SØK 2007 Development economics exam spring 2015

### Guidelines for grading of exam

Textbook: Todaro-Smith, Economic Development, 11th edition

The exam consists of three questions, and all of them should be answered. Weights are given in parenthesis.

#### Question 1 (30%)

a) Discuss measures of income distribution

Ch 5.1 Lorenz curve diagrams fig 5.1-5.4, Gini coeff, more (absolute poverty relevant)

b) Explain agglomeration gains in cities

Duranton article model/ diagrams and discussion, also ch 7.2, 7.3

c) Discuss choice of technology and risk in agricultural production

Farmer behavior ch 9.5, figs 9.5 and 9.6

#### Question 2 (40%)

Analyze how foreign aid can affect saving and income in a model of economic growth. Discuss possible explanations of limited growth effects of foreign aid. In particular, discuss how mechanisms not captured in your model analysis can influence the effects of foreign aid.

Foreign aid ch 14.4, burnstein-dollar and easterly, using models from ch 3 harrod domar and/or neoclassical

#### Question 3 (30%)

Show how specialization of production offers gains from trade. Discuss trade policies of developing countries in this context.

Ch 12.3 neoclassical trade model, fig. 12.1 and ch 12.8 trade policy