

Write your name on the cover of the test booklet and nowhere else. Enclose this sheet with the booklet. Failure to follow these directions will cost you 1 point. The test has 100 points (to be scaled up to 160 points) and is scheduled to take 50 minutes. Therefore, expect to spend 1 minute for every 2 points. For example, a 12-point question should take 6 minutes. I cannot give extra time because I have a class after your class.

1) (12 points) For ONE of the following explain how that will affect the number of children a family tends to have? Explain your logic.

- A) Child labor laws are introduced which reduce the work a child can do.
- B) The overall education level increases.

2) (14 points) Answer EITHER Part A OR Part B.

- A) If you were trying to promote “pro-poor” growth, then what policy would you do? Explain how that policy would help induce “pro-poor” growth.
- B) Draw the Kuznets’ Curve. Explain why it may take that shape.

3) (14 points) For EITHER the reform in Part A OR the reform in Part B, state what that reform means. Explain why it is likely to help the country. Both come from the “Washington Consensus.”

- A) Fiscal Discipline
- B) Trade Liberalization

4) (20 points) Answer EITHER Part A OR Part B.

- A) Draw two Lorenz Curves which yield the same Gini Coefficient. In which country would you rather be poor in? Explain your logic. Implicitly, you are making some assumptions. What is one of those assumptions and why is that assumption important to your logic?
- B) Use the following data to draw the Lorenz Curve and estimate the Gini Coefficient. Explain how you did both.

Bracket	1 st quintile	2 nd quintile	3 rd quintile	4 th quintile	top decile
% of income	5%	10%	15%	20%	30%

5) (20 points) Answer EITHER Part A OR Part B.

- A) What is meant by *rent seeking*? Why is it a big problem in many developing countries? What can be done about it? How would that help reduce the problem?
- B) Explain both *export orientation* and *import substitution*? For each, explain when that might be the better policy.

6) (20 points) Answer EITHER Part A OR Part B.

- A) A large population growth rate can cause several problems for economic development. State TWO of them and explain how a fast growing population causes the problem.
- B) What is population momentum? Explain how it can occur.