

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 some students have a class after your class.

1) (12 points) Answer EITHER Part A OR Part B.

A) When laws are passed which prohibit child labor, what will happen to the total fertility rate? Explain your logic.

B) The book and I told you different arguments about how an increased average income affects the total fertility rate. Explain one of our arguments.

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

A) There are a large number of papers written about the North-South transfer of technology. Do you think that most of these papers conclude that developing countries use the latest technology from the developed countries or that they use old technology? Explain your logic referring to pro-poor growth.

B) Suppose you had two countries with a 10 million people each. Suppose one had 9 million people earning 5¢ below the poverty line and the rest above the poverty line. The second country had only 4 million people in poverty, but they averaged 20¢ below the poverty line. Which would you feel was worse off? Explain your logic.

3) (14 points) For ONE of the following items on the “Washington Consensus”, explain why economists feel it is important for economic development. Make sure you explain what how it is done.

A) Tax reform

B) Privatization

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

A) I told you Jagdish Bhagwati’s argument that FDI should not be liberalized and should not have restrictions added to it. Explain his arguments.

B) What does *Pareto optimal* mean? Why do we want the situation to be Pareto optimal? What is the problem with that criterium?

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

A) Draw two Lorenz Curves which have different shapes but the same Gini Coefficient. Explain how you know they have the same Gini Coefficient. In which country would the middle class be better off? Explain your logic.

B) What does the slope of the Lorenz Curve represent? Explain your logic. What is wrong with too large of a Gini Coefficient? Explain your logic.

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

A) If you ruled a poor country and you were trying to reduce the population growth rate, what are two actions you would take? Why would you take them and how would they reduce the growth rate?

B) Explain population momentum and how it could cause the population to increase for several decades after the replacement fertility rate is reached.