

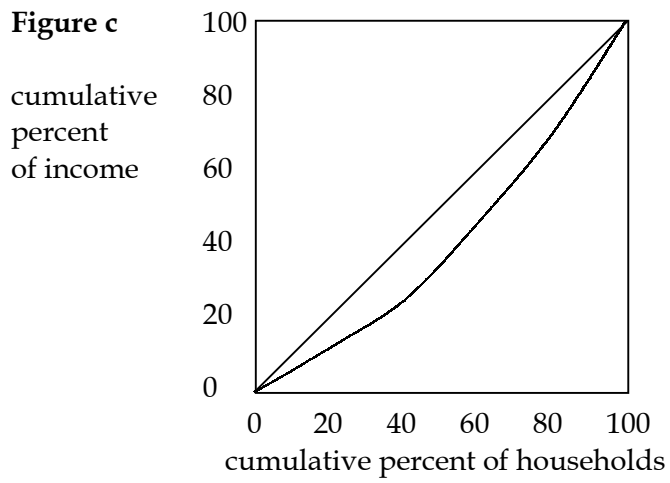
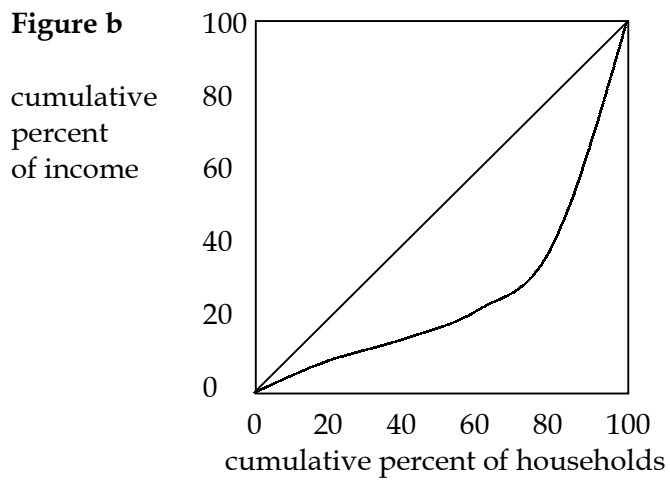
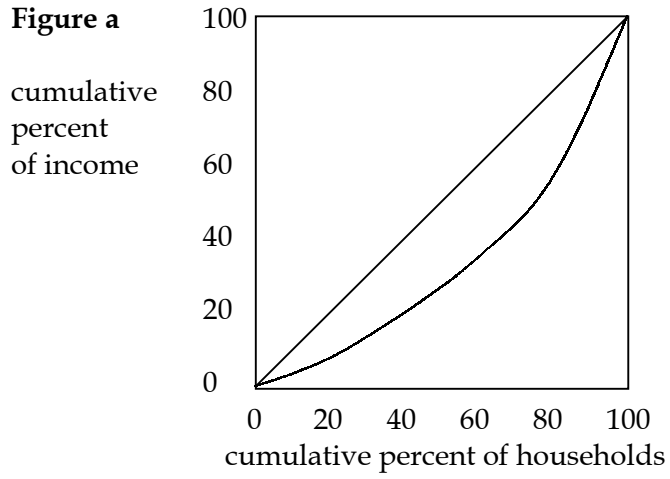
**Economics 151**  
*Development Economics*  
Sample Exam Questions

Circle one answer only for each multiple choice question. Each question is worth 2½ points.

1. By the World Bank's classification system, Malaysia, Mexico and Brazil are
  - a. low-income countries
  - b. upper-middle-income countries
  - c. industrial economies
  - d. underdeveloped countries
  
2. In 1997, the World Bank found that the fraction of the world's population living in low and lower-middle income countries—that is, countries with per capita incomes of \$1230 or less—was approximately
  - a. 25%
  - b. 40%
  - c. 55%
  - d. 75%
  
3. Overall, the growth rate of average incomes in less developed countries between 1960 and 1995
  - a. was approximately zero
  - b. exceeded that of high income countries
  - c. exceeded that of Britain during the industrial revolution
  - d. was approximately 3.0% per year
  
4. Most Latin American countries achieved independence
  - a. shortly after World War II
  - b. in the 1960s
  - c. around the time of World War I
  - d. in the early nineteenth century

5. Many countries that became independent after World War II found that the legacy of colonialism hindered their economic development. According to the textbook, the list of hindrances included
- artificial political boundaries that covered diverse ethnic groups with little in common
  - inadequate access to higher education and training for nationals under the colonial administration
  - control of domestic commerce by foreign minority groups which had been brought in by the colonial power
  - all of the above
6. At the time of independence, there were already hundreds of thousands of university graduates in \_\_\_\_\_, but hardly any at all in \_\_\_\_\_.
- India, Congo
  - India, South Korea
  - Congo, South Korea
  - South Korea, India
7. Which of the following is not viewed by the text as a major political obstacle to development?
- growth oriented policies may damage the short-term interests of influential groups
  - civil war
  - corruption
  - departing from strict *laissez faire* principles
8. In the Harrod-Domar equation  $g = s/v$ ,  $v$  is defined as
- the value of the country's capital stock
  - the ratio of the country's capital stock to its output
  - the change in the country's capital stock
  - none of the above
9. A sources of growth equation derived from the neoclassical production function  $Y = f(K,L,R,A)$  is  $g_Y = a + w_K g_K + w_L g_L + w_R g_R$ . In this equation,  $g_K$  refers to the growth rate of the capital stock and  $w_K$  is
- the average wage of capital owners
  - a weight on capital typically set at the rate of interest
  - a weight on capital typically set to 1/3 so that  $w_K + w_L + w_R = 1$ .
  - a weight on capital typically set equal to capital's share in national income

10. Suppose that in the equation above  $g_Y = .04$ , that  $g_K$ ,  $g_L$ , and  $g_R$  are all = .03, and  $w_K + w_L + w_R = 1$ . What does this imply?
- national income must be growing by 7% a year
  - national income must be growing by 1% a year
  - productivity must be growing by 1% a year
  - productivity must be growing by 7% a year
11. In the three-part diagram of the labor-surplus model in Figure 3-5, the marginal product of labor in the agricultural sector can be measured in the lower panel (A) by
- the height the solid curve at a given quantity of labor
  - the angle of a ray from the zero point to the solid curve at a given quantity of labor
  - the length on the (bottom) horizontal axis from the zero point to the quantity of labor in question
  - the (negative of the) slope of the solid curve at a given quantity of labor
12. If the number of agricultural workers is  $i$ , a commercial (i.e., profit maximizing) farmer would find it profitable to hire a laborer
- as long as the wage is less than the distance  $t'h$  (shown in the middle panel)
  - as long as the wage is less than the distance  $t'k$  (shown in the top panel)
  - only if the laborer will work for free
  - only under a share-cropping arrangement
13. World Bank data show that in 1995, the poorest 20% of households accounted for 7.5% of household income in Niger, the next 20% of households accounted for 11.8% of income, the middle 20% accounted for 15.5% of income, the second richest 20% accounted for 21.1% of income, and the top 20% accounted for 44.1% of income. What was the cumulative income share of the bottom 60% of households in Niger?
- 15.5%
  - 34.8%
  - 48.1%
  - 65.2%
14. Figures a, b, and c represent Lorenz curves for the distribution of income in various countries. Which curve corresponds most closely to the data given for Niger in the question above?
- Figure a
  - Figure b
  - Figure c

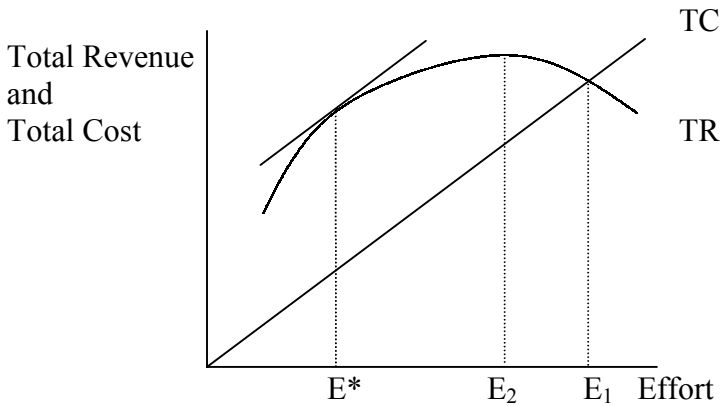


15. The Gini coefficient of income distribution in Niger was roughly:
- a. .22
  - b. .36
  - c. .49
  - d. .61
16. The conjecture that inequality first increases with development, then decreases with further development (known as the “inverted U hypothesis”) has been
- a. strongly supported by most studies
  - b. supported mainly by cross-section, not time-series studies
  - c. supported mainly by time-series, not cross-section studies
  - d. generally repudiated by empirical studies
17. Which of the following is not an element of the redistribution-with-growth policy approach?
- a. minimum wage legislation
  - b. land reform
  - c. progressive taxation
  - d. increased access to education
18. Each of the following is listed by the textbook as one of the foundations for a well-functioning market economy, except:
- a. stabilize macroeconomic conditions
  - b. establish a stock market
  - c. dismantle administrative controls
  - d. let relative prices reflect scarcity values
19. According to the input-output table of Table 3-1 (refer to textbook), the value of services in dollars used directly to produce each dollar of manufactured consumer goods is

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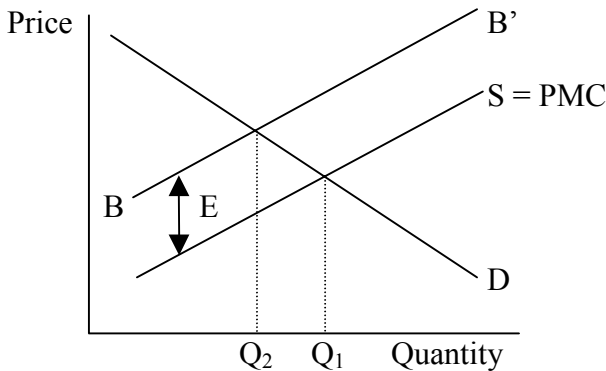
20. The total revenue from operating a fishery is graphed against the level of fishing effort as the curve TR shown in the figure below. The total cost of fishing as a function of the effort expended is graphed as the line TC. Maximum net revenue, attained at point \_\_\_\_, is/is not expected to result if the industry consists of large numbers of unregulated fishermen each pursuing maximum income without coordination with the others.

- a.  $E^*$ , is
- b.  $E_2$ , is not
- c.  $E_1$ , is
- d.  $E^*$ , is not



21. The curve  $S = PMC$  in the figure below shows the private marginal cost of producing a certain manufactured good as a function of the quantity produced. The line  $D$  is the demand curve for the good. Suppose that production of the good imposes a cost  $E$  per unit on the environment which is not borne by the producing companies. Then an appropriate label for the curve  $BB'$  would be \_\_\_\_, the level of production without government intervention would be \_\_\_\_, and the socially optimal level of production would be \_\_\_\_.

- a. External cost;  $Q_2$ ;  $Q_1$
- b. External cost;  $Q_1$ ;  $Q_2$
- c. Social marginal cost;  $Q_2$ ;  $Q_1$
- d. Social marginal cost;  $Q_1$ ;  $Q_2$



Answers:

1. b

2. d

3. c

4. d

5. d

6. a

7. d

8. b

9. d

10. c

11. d

12. a

13. b

14. a

15. b

16. b

17. a

18. b

19.  $\$15/\$290 = \$0.05$

20. d

21. d