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## Final Exam

You have until 3:30pm to complete the exam, be certain to use your time wisely. Answer all questions directly on the exam. You may use printouts of the required readings with any notes you have written on them. No other materials may be used during the exam. Be certain to answer questions completely but concisely. A general rule of thumb is that a good answer will typically require roughly two sentences per every five points. Remember to put your name on the exam. Good luck!

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**Name:**

1. (15 points) Describe two specific institutions that would tend to promote economic growth and two specific institutions that would tend to hinder economic growth. Be certain to explain why each helps or hinders economic growth. Note that you should be discussing specific examples of institutions, not general types of institutions.



4. (20 points) Consider the graph we used in lecture to explore the role of wages and labor efficiency in explaining the Great Divergence. Recall that this graph used isoquants, curves showing different combinations of capital and labor that would lead to the same level of output, and isocost lines, lines showing the different combinations of capital and labor that lead to the same total costs. The goal of this problem is to use these curves to demonstrate the effects of two different proposals to help less developed countries catch up to developed countries.
- (a) Use an isocost line/isoquant graph to show the effects of instituting a minimum living wage for manufacturing and service sector workers on the capital-labor ratio in developing countries. Be certain to provide a written explanation of what is being shown on the graph.
  - (b) Use an isocost line/isoquant graph to show the effects on the capital-labor ratio of a major health intervention to reduce problems of chronic disease in developing countries. Be certain to provide a written explanation of what is being shown on the graph.

In both cases, your graph should have labor on the horizontal axis and capital on the vertical axis.

5. (20 points) To what extent are the explanations of the economic development of Africa offered by Acemoglu, Johnson and Robinson in their “Colonial Origins of Comparative Development” article consistent with Jared Diamond’s view of geography’s role in the long term outcomes of countries? In what ways does the role of geography differ between the two different views of African development?

6. (25 points) The Industrial Revolution has had profound impacts on the standard of living throughout the world but these impacts have varied across socioeconomic groups and across countries.
  - (a) Explain how industrialization has changed the overall levels of income and the distribution of that income within developed countries. Be certain to explain why industrialization caused those changes.
  - (b) Explain how industrialization has changed the variation in both income and overall well being across countries. Once again, be certain to describe both the changes themselves and the reasons that industrialization led to those changes.