

1 Midterm Exam - Sample Questions

IS 0341

Dr. Robert M. Dahl
Comparative Economic Systems

1.1 Theory

1.1.1 Question 1

One of the results of the Solow growth modeling approach is the absolute convergence hypothesis. Using the Solow growth model presented in class, explain in your own words the absolute convergence hypothesis and what the absolute convergence hypothesis suggests about rates of growth for different countries. You may use the assigned reading on this topic to supplement your answer.

1.1.2 Question 2

Illustrate a developing country at the transition point using a two sector model of economic development. What is the prevailing wage rate in the agricultural and industrial sectors? What must occur for the wage rate to rise in the agricultural sector? What factors might impede a rise in agricultural wages? Illustrate and discuss how population growth might affect the ability of a country to raise agricultural wages?

1.2 Discussion

1.2.1 Question 3

A result of the Harroldomar growth modeling approach is that economic growth is dependent upon the ICR and the national savings rate. Using the assigned readings, illustrate and discuss how HIV/AIDS may affect the ICR and the national savings rate and the implications for economic growth in developing countries.

1.2.2 Question 4

Assume that the United States is interested in selling surplus military equipment to the Republic of Pakistan (ROB). The ROB is currently discussing whether to expend resources on military equipment or on education. Using the two papers on the website for Question 4 on the impact of defense expenditures on economic growth and income inequality, discuss whether the ROB should

procure the equipment and what impact such a procurement might have on income inequality and economic development over the long run. How might the R O B address the problem of income inequality and, in time, procure the surplus military equipment? If you were the SA O for R O B and significant class tensions existed due to the unequal distribution of income in R O B , what would you recommend as a course of action and how might you justify your recommendation?