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Final Exam. Part 1: Quiz

This is a 'Quiz' part of the final exam. Please answer all questions below. Each question is worth 2 points (out of the total 100 for the entire final exam). There are 15 questions in total (so, in total 30 points for the Quiz part). You will have two attempts to complete this Quiz (your grade will be the highest of the two attempts). Good luck!

Question 1

With which of the following claims do you agree? Select all that apply.

- ☐ Countries that are rich today tend to be those with stable positive growth rates in the recent decades, or those with rapid catch-up growth over the recent decades
- ☐ Poor countries almost uniformly tend to have a set of similar (negative) features: high levels of corruption, autocratic institutions, bad geography
- ☐ Countries that are poor today are those that failed to grow at a constant rate over long periods of time
- ☐ Rich countries almost uniformly tend to enjoy a set of similar attributes: high education levels, high levels of life expectancy, high levels of life satisfaction, on average

Question 2

Which of the following statements describe well the growth trajectories of currently developed economies over most of the 20th century? Select all that apply.

- ☐ In these countries, incomes per worker tended to grow at a roughly constant rate over long periods of time
- ☐ In these countries, capital accumulation was a key driver of growth in living standards over long periods of time
- ☐ In these countries, the shares of national income received by labor and by capital were roughly constant over long periods of time

Question 3

Assume that an economy is described well by the Solow growth model with population and productivity growth. If we see that this economy's growth rates are decreasing decade after decade, without any major external shocks (like wars or massive epidemics), what can we claim with certainty?

- ○ That this economy is in a steady state
- ○ That this economy is in the catch-up growth stage, approaching the steady state from above

- That this economy is in the catch-up growth stage, approaching the steady state from below
- That this economy is in the cutting-edge growth stage, approaching the steady state from below
- That this economy is in the cutting-edge growth stage, approaching the steady state from above

Question 4

In the Solow model with population and productivity growth, why does productivity growth increase living standards? Select all that apply.

- Productivity growth increases incomes per capita because each unit of capital per worker now creates more output per worker
- Productivity growth increases incomes per capita because investments increase even further following a boost to incomes per capita
- Productivity growth increases incomes per capita because it spurs even more productivity growth in the future
- Productivity growth increases incomes per capita because it decreases population growth rates

Question 5

What are the biggest drawbacks of the Solow model that the Endogenous Growth Theories (EGT) address? Select all that apply.

- The Solow model does not focus on growth hurdles of the poorest countries, while the EGT does
- The Solow model does not explain demographic transition and growth take-offs, while the EGT does
- The Solow model does not explore the relationship between technological progress and population growth, while the EGT does
- The Solow model does not explain the nature of technological progress, while the EGT does

Question 6

Write a brief reply to the following question: "Why is it hard to both incentivize more innovations, and to spread useful innovations widely and rapidly?"

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Question 7

What are the potential reasons for why we do not see a larger population size (or a higher population growth rate) translating into a higher rate of innovations and TFP growth in modern economies? Select all that apply.

- [ ] Because today, many countries can import technologies from abroad, so it's not their population that matters, but the population of the world
- [ ] Because of the fishing-out effect: more researchers are added, but subsequent innovations require even more effort, because each new innovation is harder to make
- [ ] Because today, it's not only the number of people (the market size and supply of researchers) that matters, but also the level of education of the labor force
- [ ] Because modern economies depend on the process of creative destruction, where population size does not matter

Question 8

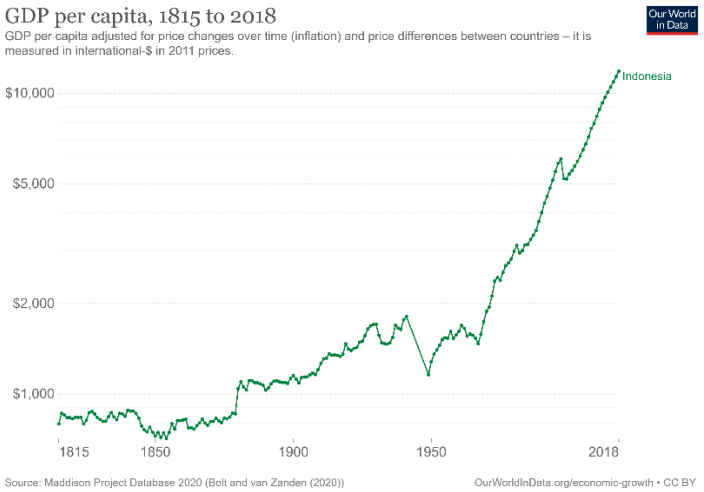
What are the main predictions of the Malthusian model that are supported by the data? Select all that apply.

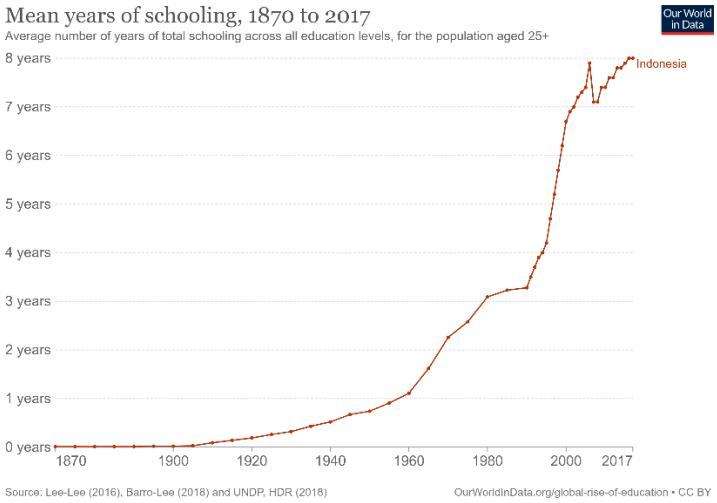
- [ ] Historically, incomes per worker did not depend on productivity levels
- [ ] Country's population is positively correlated with historical land productivity
- [ ] A sudden destruction of capital stock will increase growth rates, but only temporarily
- [ ] A sudden decrease in the amount of labor will increase incomes per worker, but only temporarily

Question 9

Graphs below illustrate the dynamics of (i) Log of GDP per capita, and (ii) mean years of schooling in Indonesia. When would you say did Indonesia escape the Malthusian stagnation, and when did it begin transitioning to the modern growth regime?

- ○ Escaped Malthusian stagnation at the very end of the 19th century, and began transitioning to the modern growth regime at around 1960
- ○ Escaped Malthusian stagnation at around year 1950, and began transitioning to the modern growth regime at around 1990
- ○ Escaped Malthusian stagnation at the very end of the 19th century, and has not yet transitioned to the modern growth regime
- ○ Escaped Malthusian stagnation at the very end of the 19th century, and began transitioning to the modern growth regime at the beginning of the 20th century





Question 10

What are the effects of high market entry barriers on economic growth? Select all that apply.

- [ ] High market entry barriers slow down the natural 'creative destruction' process, which limits innovations and growth
- [ ] High market entry barriers do not matter much for growth, but matter for competition
- [ ] High market entry barriers protect innovators, which can increase incentives for innovations
- [ ] High market entry barriers increase potential for corruption and bribes, which leads to resource misallocation and inefficiency

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Question 11

Assume that a certain country has experienced a deterioration of institutional quality: levels of corruption and rent-seeking have increased a lot. What do you expect will happen to young people choosing between the IT and Law careers? Which one you expect to increase or decrease?

- (i) IT popularity should decrease (ii) Law popularity should increase
- (i) IT popularity should decrease (ii) Law popularity should decrease
- (i) IT popularity should increase (ii) Law popularity should decrease
- (i) IT popularity should increase (ii) Law popularity should increase

Question 12

If we see a positive correlation between incomes per capita and the extent of democratic institutions across countries, what can we conclude from such a correlation?

- Neither of the conclusions listed follows from such a correlation
- Both conclusions listed from such a correlation are valid
- We can conclude that democratic institutions cause higher incomes per capita because democratic leaders install better economic institutions (such as the rule of law)
- We can conclude that as countries get richer, they are more likely to become democracies, because richer and more educated people will support democratic transition

Question 13

Which of the following claims do you agree with? Select all that apply.

- Higher levels of trust tend to increase incomes per capita
- Interpersonal trust is one of the most fundamental factors of economic development
- Ethnic/ancestral backgrounds tend to have a persistent effect on many cultural traits
- Both individualistic and collectivistic cultures have reasons to be good for growth

Question 14

What does the paper by Alesina et al. (2013) demonstrate? Select all that apply.

- That a higher historical use of plough in agriculture explains contemporary variation in gender roles across societies
- That geography can have persistent effect on cultural norms
- That contemporary gender role attitudes are solely explained by past geographic features

☐ That attitudes towards gender roles have a large share of persistence (long-term stability) in them

Question 15

What phenomenon does the figure below illustrate?

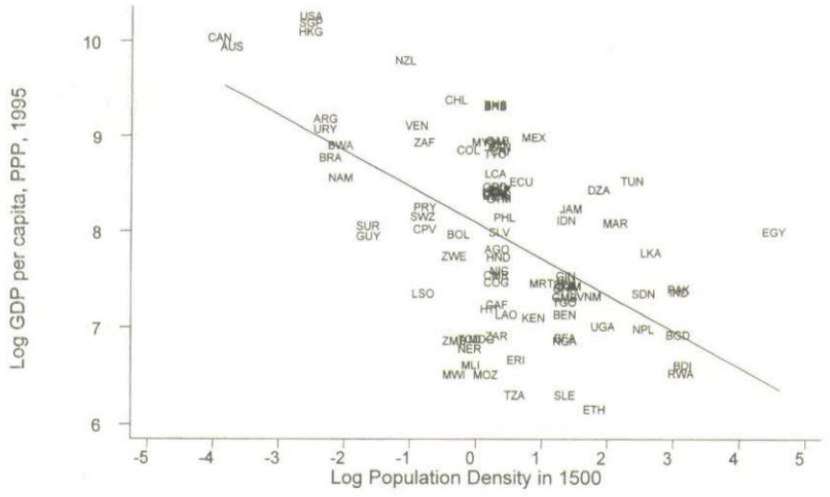

FIGURE II
Log GDP per Capita (PPP) against Log Population Density in 1500
Note. GDP per capita from the World Bank [1999]; log population density in 1500 from McEvedy and Jones [1978]. Details are in Appendix 2.

- The irrelevance of historical population density for contemporary prosperity
- The convergence in income levels: richer countries tend to grow slower
- The 'Reversal of Fortune'
- The relevance of geography for contemporary economic prosperity