

Midterm Exam

EC 390 - Development Economics

Fall 2025

<p>Give every question your best attempt. Best of luck. You got this!</p>

Name: _____ 95#: _____

The maximum amount of points on this exam is 75 points. You have a total of 1h 20min (80 minutes) to complete the exam, unless otherwise noted. The only items allowed on your desk at any time are a pen and/or pencil, scratch paper, a 3x5 note card, and a calculator. Everything else must be stored in your bag underneath your desk. Any form of cheating will result on a zero on the exam.

There are three sections to be completed:

- **Multiple Choice:** 5 Questions
- **Short Answer Questions:** 2 Questions
- **Multi-Part Analysis Questions:** 1 Question (6 parts)

Point totals and question specific instructions are listed for each section. Please ask for clarification if a question is not clear to you.

The exam is a total of 3 pages. There are 5 pages of questions + 2 pages for scratch paper. **Please verify you have all 3 in your exam. If you do not, let me know immediately.**

Multiple Choice - 25 Points

Circle or "X" the answer you think most correctly answers the following questions. If you mark a choice and would like to change it, **clearly indicate which one is your correct answer**.

1. Consider the following statistics: Country A has a GNI of 5,500. Income earned by residents abroad is equal to 800. Income earned by non-residents domestically is 300.

What is the GDP of Country A?

- A. 4,700
 - B. 5,000
 - C. 5,300
 - D. 5,800
2. In the **Lewis two-sector model**, the turning point occurs when:
- A. The industrial/modern sector stops reinvesting profits
 - B. The marginal product of labor in agriculture becomes positive
 - C. Surplus labor in the subsistence/traditional sector is fully absorbed
 - D. The savings rate in the industrial/modern sector falls below the population growth rate
3. In growth models that explain economic expansion primarily through capital accumulation (such as the Harrod–Domar and Solow models), which key assumption links savings behavior to the growth of output?
- A. All savings become investments
 - B. All savings are held in cash
 - C. Investment depends on government spending
 - D. Savings and investments are determined independently
4. Suppose there are two firms in a developing economy. In order to become profitable, a **large initial investment is required**, but it requires both firms to operate simultaneously (ex. a car factory and a steel mill).
- Which concept best describes this situation?
- A. Capital deepening
 - B. Comparative advantage
 - C. Crowding out
 - D. Coordination Failure

Short Answer - X points

Answer the following questions to the best of your ability. For full credit, show all of your work and clearly indicate your final solution for each party by circling the answer.

5. What is a **Big Push**? Explain intuitively and illustrate the concept by **drawing an S-curve diagram with the proper dynamics**.

