

# midterm

This version: March 20, 2018

**Name:** .....

**Blue Book #:**.....

- Put your name and Blue Book # above. Put the same # on the Blue Book, say last 4 digits of your phone number, etc. Do not put your name on your blue book.
- You have only **2hrs** Answer all questions. Each question has the same weight.
- The exam is open book, open note. However, you may only use your own books and notes. You may not share books, notes, or calculators with other students. Cell phones and other devices are prohibited.
- write legibly—if i cannot read it, i cannot grade it!
- Be to the point, avoid padding/boilerplate. Do not dump everything that you know and ask me to pick what is relevant.
- Hand in BOTH your test and blue book, in SEPARATE piles.

1 Is the world spiky or flat? Give at least two arguments in favor of each of the positions.

2 Give at least 2 examples when economic growth does not lead to economic development (except pollution and inequality)

pollution; inequality; war, cutting out all trees, using all fossil fuel; disaster recovery

3 We can get higher education online these days, so the physical place where you get it does not matter anymore. Why is this statement true or false?

just discuss florida and friedman; it probably matters

4 Was Wall Street resilient to financial crisis of 2008? Why or why not ?

it was because it recovered! resilience is ability to recover; most of you talked about unrelated problems with wallstreet and financial crisis; one interesting thoughtful answer that it was not resilient because it did not take feedback and did not self-regulate—good points!

5 What do central place theory, labor specialization and urbanization (growth of cities) have in common?

cities exist bc people are not self-sufficient; and so they need to specialize—central place theory is about specialization—the more specialized the more central; some other good answers: they all contribute to city growth and income growth/eco growth

6 What agglomeration economies have to do with social capital?

agglomeration: scale economies+network (network is social capital)

7 Labor specialization and urbanization are positively related. True or false? Why?

true; important to note that specialization is fundamental for growth of cities! indeed cities exist in large part due to specialization—we're not self-sufficient, need stuff made by others and such exchange and specialization are easier if we live close by, hence, the city

8 What is a key feature of externality? (for economists)

it is external to transaction, you don't pay for it; no cost

9 Comparative advantage cannot be realized if there are trade barriers. True or false? Why?

trade barriers hamper to some degree comparative advantage; they can hamper fully too

10 Let's say we use economies of scale principle to grow local economy...How would that affect innovation/creativity and resilience?

lower resilience if you just depend on one thing—say Russia and oil; also the big don't innovate; but more ppl more innovation eg as per West and Bettencourt