

Do not write your name on the assignment. Write your name only on the back of this sheet of paper and staple your answers on the front of this sheet of paper. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to follow these directions will cost you 1 point on the assignment.

- 1) (20 points) What would cause the *total factor productivity* to increase? What could a developing country do to encourage that?
- 2) (20 points) Many of the *North-South* models of technology transfer assume that the lesser developed countries can just use the technology of the more developed countries. There is at least one reason why they may not be able to do that. Explain a reason. Even if they can use the technology, they may be better off by not using it. Why?
- 3) (20 points) It is assumed that firms pay employees their marginal product of labor, but that farms pay the average product of labor. Explain why both occur.
- 4) (25 points) Draw the supply and demand for labor diagram with wages on the vertical axis and quantity of labor on the horizontal axis. Draw the version I drew in class with two vertical axes, one to show the labor in industry and one to show labor in agriculture. Illustrate an increase in the population. Explain why the curve(s) moved as drawn.
- 5) (15 points) Some companies like Nike have been accused of paying their employees in foreign countries too little. If you were Nike, how would you defend what you pay your workers?