Wilfrid W. Csaplar Jr., Ph.D.   Economics 260   Exam #2   2017/10/6

Write your name on the cover of the test booklet and nowhere else. Enclose this sheet with the booklet. Failure to follow these directions will cost you 1 point. The test has 100 points (to be scaled up to 160 points) and is scheduled to take 50 minutes. Therefore, expect to spend 1 minute for every 2 points. For example, a 12-point question should take 6 minutes. I can give extra time.

1) (12 points) For EITHER the event in Part A OR the event in Part B, explain how that will affect the number of children a family tends to have? Explain your logic.
A) Women are given more equal opportunity in the workplace.
B) The overall education level increases.

2) (12 points) Answer EITHER Part A OR Part B.
A) In your other class, we argued that *export orientation* is preferred to *import substitution*. However, export orientation can lead to *immiserizing growth*. What does that mean? How can it happen? Why is it bad?
B) What is meant by the *big push*? How can that help the country develop?

3) (14 points) Answer EITHER Part A OR Part B.
A) What is normally taken as the level of absolute poverty? Do you think this is a good standard? Explain your logic.
B) Explain the difference between the *poverty gap* and the *percentage of people below the poverty line*. Which do you feel does a better job measuring how much trouble the country is in? Explain your logic.

4) (14 points) Answer EITHER Part A OR Part B.
A) Explain why Pareto Optimality is desirable. Also explain why it leaves in too many options.
B) Why should MSB = MSC?

5) (14 points) Answer EITHER Part A OR Part B.
A) What is meant by the *dependency ratio*? Explain how some of the poorest countries and some of the richest countries can both have a problem with that.
B) Two different Lorenz Curves can result in the same Gini Coefficient. Draw that. Briefly explain how you see the two curves' having the same Gini Coefficient.

6) (16 points) The Washington Consensus had the following advice for developing countries. For EITHER the advice in Part A OR the advice in Part B, explain what that means and give the economic reason for it.
A) Trade liberalization
B) Secure property rights.

7) (18 points) Answer EITHER Part A OR Part B.
A) Do you think the population pessimists or the population optimists have a more accurate view of most countries? Explain your logic and state what each of them believe.
B) What did Malthus say about the population? Explain his logic and explain where he went wrong.