

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 170 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 cannot give extra time because some students have a class after your class.

1) (14 points) Answer EITHER Part A OR Part B.

A) China has a mixed economic system. What is ONE of the negative aspects of communism present in their system? Explain how that hurts their economy.

B) Explain why political instability hurts economic growth?

2) (16 points) Answer EITHER the question in Part A OR the question in Part B.

A) What is the major problem in Sri Lanka? What can be done about it? Explain how that will help the situation.

B) Recently Argentina made an offer of a *debt swap*. What is that? Why would they do that?

3) (16 points) Answer EITHER Part A OR Part B.

A) Explain why developing countries have a low savings rate. Why does that hurt their growth?

B) Explain why developing countries have a problem with urbanization. Why does that hurt their growth?

4) (18 points) Answer EITHER Part A OR Part B.

A) In ECON 280, *Economic Development*, we look at additional measures of how well off a country is. If you were to create a measure, what would you add to the HDI? Explain why you would add those TWO statistics.

B) Explain why economists studying economic development use HDI rather than real GDP per capita as a measure of how well off a country is. Make sure you discuss both of the statistics which are included in the HDI other than GDP.

5) (18 points) What is the greatest problem facing China? Why did you choose that? If you were Premier Hu, how would you fix that problem? Explain how your proposal would reduce the problem.

6) (18 points) Answer EITHER Part A OR Part B.

A) In 1989, Brazil's Gini Coefficient was .675. By 2008, it had shrunk to .561. How do you think they did that? Why would those actions reduce the Gini Coefficient so much. You do not need to know the actual actions. (Of interest, a Newsweek article incorrectly said it had shrunk to .0561 and the recession had caused it to spike to .577.)

B) One problem we noticed about Brazil was the interest rates in 2008. They were quite high. Explain EITHER a potential cause of that OR a potential problem caused by that. Make sure you explain the causation.