



Wirtschaftswissenschaftlicher Prüfungsausschuß
der Georg-August-Universität Göttingen

Diplomprüfung

**Kreditpunkte-Klausuren für Volkswirte, Betriebswirte,
Handelslehrer und Wirtschaftsinformatiker, BA, MA**

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Prüfungsfach: Kreditpunkte-Klausur „Entwicklungsökonomik III“

Themensteller: Prof. Klasen, Ph.D.

Kandidat:

Name:

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Matrikel-Nr.:

Fachrichtung:

Semesterzahl:

Raum:

Zugelassene Hilfsmittel:

- **Nichtprogrammierbarer Taschenrechner**

Bearbeitungshinweise:

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Prof. Stephan Klasen, Ph.D.
Summer-term 2007

Exam Development Economics III

Part	Topic	Points
I	<i>Short Questions</i>	38
II	<i>Regression</i>	22
III	<i>Essay</i>	30
Σ		90

1	2	3	4	5	6	7	Σ

Grade:

Note: The following exam consists of three parts. You must answer all questions from Part I and choose one question from Part II and Part III. The possible points for each question are noted. There are 90 points to be earned in this 90 minute exam. Please time yourself accordingly. You may answer in English or German.

Good luck !

Part I

Answer all questions (38 Points)

1. Below is a matrix concerning the different functions of the state. Fill in at least one associated policy in each corresponding box. (6 points)

	Address market failure	Improve equity
Minimal function		
Intermediate function		
Active Function		

2. What is the basic idea behind the two generation spill-over investment model as described by Murphy, Schleifer and Vishny? How does it require state intervention if any? (4 points)
3. What is total factor productivity and how is this growth rate derived given a simple Cobb-Douglas production function and how is it actually calculated? (7 points)

$$Y = AK^\alpha L^{1-\alpha}$$

4. According to Acemoglu, Johnson and Robinson how does the past of Sub-Saharan Africa influence its present development? (5 points)
5. Briefly discuss why the East Asian financial crisis spread from Thailand to other countries? Why were some countries not affected? (5 points)
6. According to Datt and Ravallion what were the main determinants of poverty reduction in India and how did their effect differ between states? (5 points)
7. What is meant by import substitution industrialisation and how has it influenced Latin Americas Industrialisation? Briefly discuss three associated caveats of such a development approach. (6 points)

Part II

Choose one question (22 points).

1. What, if anything, does the attached regression from Englebert say about Sub-Saharan Africa's growth tragedy? Critically evaluate the findings implied by this table.

Table 4. *Regression estimates^a*

Equation	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Constant	0.1471 (1.463)	0.1832 (1.859)	0.2126 (2.827)	0.2387 (2.876)	0.1749 (2.254)	0.2653 (3.291)	0.1289 (1.527)
Convergence (log)	-0.0322 (-1.213)	-0.0364 (-1.439)	-0.0391 (-1.939)	-0.0485 (-2.238)	-0.0327 (-1.576)	-0.0531 (-2.634)	-0.0195 (-0.909)
Convergence (log) ²	0.0021 (1.180)	0.0021 (1.303)	0.0018 (1.356)	0.0027 (1.914)	0.0014 (1.010)	0.0029 (2.302)	0.0004 (0.310)
Africa	-0.0201 (-4.380)	-0.0128 (-2.531)	-0.0059 (-1.544)	-0.0143 (-3.294)	-0.0032 (-0.815)	-0.0114 (-2.284)	-0.0024 (-0.574)
Asian "Dragons"	0.0317 (6.290)	0.0355 (6.861)	0.0212 (5.959)	0.0286 (6.080)	0.0217 (6.587)	0.0276 (5.825)	0.0202 (6.048)
Tropical climate		-0.0187 (-5.939)	-0.0126 (-4.765)	-0.0177 (-5.912)	-0.0120 (-4.301)	-0.0164 (-5.518)	-0.0127 (-4.733)
Landlocked status		-0.0027 (-0.838)	-0.0045 (-1.638)	-0.0016 (-0.459)	-0.0054 (-2.175)	-0.0032 (-0.937)	-0.0056 (-2.180)
Policy index			0.0091 (6.897)				
Policy index (residual)				0.0048 (4.089)	0.0088 (6.971)	0.0061 (4.562)	0.0097 (7.297)
ELF						-0.0099 (-2.067)	0.0029 (0.559)
State legitimacy					0.0207 (5.583)		0.0222 (4.806)
Adjusted R ²	0.34	0.47	0.73	0.63	0.74	0.67	0.77
n	133	126	109	109	109	105	105

^a Note: OLS estimation with White (1980) robust *t* statistics in parentheses. For data source and definitions, see Appendix A, where these variables are respectively labeled LCON, LCONSQ, AFRICA, HPAE, TROPICS, LANDLOCK, POLICY, ELF and LEGIT. The dependent variable is per capita PPP-adjusted GDP growth, independence-1992 (GROWTH).

Table 2. *Construction of the state legitimacy dummy*

	Legitimate (= 1)	Non-legitimate (= 0)
Was the country colonized in modern times?	No	Yes (go to question 2)
When reaching independence, did the country recover its previous sovereignty, identity or effective existence?	Yes	No (go to question 3)
If the country was created by colonialism, was there a human settlement pre-dating colonization?	No	Yes (go to question 4)
Did the colonizers (and/or their imported slaves) reduce the pre-existing societies to numerical insignificance (or assimilate them) and become the citizens of the new country?	Yes	No (go to question 5)
Does the post-colonial state do severe violence to pre-existing political institutions?	No	Yes

2. What, if anything, does the attached regression from Klasen and Wink say about the determinants of sex ratios in India? Critically evaluate the findings implied by this table.

ARTICLES

Table 5 Determinants of the state-specific sex ratio in India, 1961–2001

Time period	(1) 1971–91	(2) 1971–2001	(3) 1961–2001
Constant	117.42 (7.69)***	111.99 (2.36)***	115.43 (2.14)***
Female Labour Force Participation	-0.21 (0.06)***	-0.19 (0.06)***	
Female Literacy	-0.17 (0.10)*	-0.16 (0.03)***	-0.20 (0.04)***
Male Literacy	-0.06 (0.10)		
Total Fertility Rate	0.20 (0.96)		
Infant Mortality Rate	-0.03 (0.02)*		
Urbanization Rate	0.26 (0.07)***	0.31 (0.05)***	
Population Density	0.007 (0.004)**	0.005 (0.002)**	0.014 (0.003)***
South Dummy	-6.81 (1.30)***	-7.99 (1.11)***	-8.14 (1.07)***
East Dummy	-5.57 (1.42)***	-4.90 (0.93)***	-7.24 (1.18)***
West Dummy	-2.66 (1.60)*	-4.35 (1.34)***	-0.65 (1.30)
1961 dummy			-5.26 (2.01)***
1971 dummy	-3.15 (1.57)**	-2.83 (1.43)**	-4.03 (1.83)**
1981 dummy	-3.12 (1.11)***	-3.25 (1.20)***	-4.11 (1.65)***
1991 dummy		-0.86 (0.89)	-1.40 (1.40)
Adj. R-Squared	0.872	0.822	0.606
N	43	60	75

Notes: Standard errors in parentheses. *** Refers to 99%; ** to 95%; and * to 90% significance levels. The states included are grouped into four regions: North consisting of Haryana, Himachal Pradesh, Punjab, Madhya Pradesh, Rajasthan, and Uttar Pradesh; East consisting of Bihar, Orissa, and West Bengal; South consisting of Andhra Pradesh, Karnataka, Kerala, and Tamil Nadu; and West consisting of Gujarat and Maharashtra. In 2001, data for new additional states that were carved out of the existing states of Uttar Pradesh, Bihar, and Madhya Pradesh, are reported. We add the figures for these new states (Jharkhand, Chhatisgarh, and Utaranchal) to the figures for the remaining (but now smaller) states of UP, MP, and Bihar to make them comparable with the previous state figures.

Part III

Choose one question (30 points)

1. In order to promote economic development, the state should focus on the provision of pure public goods. Discuss
2. Liberalization has led to accelerated poverty decline in India. Discuss.
3. Without debt reduction sustainable growth is impossible. Discuss considering the Latin American and Sub-Saharan African experience.