UNIVERSITETET I OSLO
ØKONOMISK INSTITUTT

Exam: ECON2915 – Economic Growth

Date of exam: 20.03.2018 Grades will be given at the latest on: 16.04.2018

Time for exam: 09:00 – 12:00

The problem set covers 2 pages

Resources allowed:

- No resources allowed (except if you have been granted use of a dictionary from the Faculty of Social Sciences)

The grades given: A-F, with A as the best and E as the weakest passing grade. F is fail.

Problem 1 (50%)

1. The world population is expected to hit 9 billion by 2042 and population growth is still very high in parts of the world. Discuss the impact of higher population growth rate on living standards in the context of the Malthus model.

2. Discuss the impact of higher population growth rate on living standards in the context of the Solow model.

3. Compare the two answers. Discuss the differences in conclusions and differences in the assumptions made.

4. Some demographers and economists believe that population growth will decline in the future. Discuss factors that may dampen future world population growth.

Problem 2 (50%)

Consider two countries, Norway and Sweden, producing two goods, oil and furniture. Output per worker is:

	Output per worker:	
	Pieces of furniture	Barrels of oil
Sweden	2/3	2/3
Norway	1	3

For this exercise, the assumptions of the Ricardian model will hold.

1. Define opportunity costs.

2. Define comparative advantage. Which country has a comparative advantage in producing furniture?

3. There are 5 million workers in Sweden and 5 million workers in Norway. Draw and explain the production possibility frontiers for Sweden and Norway.

4. There is free trade between the two countries. Draw and explain the world relative supply curve. Draw a world relative demand curve and characterize the equilibrium relative price and pattern of specialization.

5. Some individuals in Norway argue that oil is too expensive, and that we should stop international trade to make it cheaper. Discuss the pros and cons of this policy proposal.