

ECON4915 – Postponed exam, June 2021

Instruction to graders:

Ad question 1): the reading list contains material on i) Big Push mechanism, ii) resource curses, and other mechanisms, which can be used both to define a development trap and explore the related mechanisms. A development trap is a kind of a poverty trap, but the focus is broader. To call it a trap it is important that there are more than one possible development path. The economy is in a trap if it is on a path that is inferior to some other equilibrium path. To escape a trap often is (but does not have to be) a Pareto improvement.

Ad question 2): on the reading list there are readings related to conflict & development and inequality & development. A good answer may use the model under question 1) and emphasize the role of wage differentials for instance for the big push mechanism.

Ad question 3): This question distinguishes the A's from the rest. A good answer would emphasize the mutual dependencies as a kind of "general equilibrium" of the mechanisms discussed under 1) and 2). The student can also use things we have discussed about how initial inequalities can define who are interested in the development or not—and the results of these conflicting interests when played out may then confirm the initial inequality.