University of California, Davis   Date: September 14, 2005
Department of Economics   Time: 3 hours
Economic Growth   Reading Time: 20 minutes

PRELIMINARY EXAMINATION FOR THE Ph.D. DEGREE

Answer one question from each section

SECTION I

1.   Identify across the theoretical models we studied what are the common features of the "idea-driven" model of growth, namely those models in which growth is sustained by innovation (or knowledge capital). Why are these models so prominent in the recent literature? Consider also the empirical evidence on "idea-driven" growth and their contribution to understanding growth (time series) and development (cross section) of income per worker.

2.   Present the basic features of a one-sector model of endogenous growth and of a two-sector model of endogenous growth. Analyze the commonalities in the two types of models. What conditions determine the existence of endogenous growth either model? What kind of empirical analysis has each model stimulated? What kind of externalities are at the core of each model?

3.   Present the key equations and assumptions of a model with expanding varieties of products. Describe what is the so called "scale effect" and discuss in detail what kind of empirical work has been undertaken to prove or disprove their existence.

4.   Present and discuss the main common features of the early "endogenous growth" models such as Romer (86) or Lucas (88). Explain and discuss the role of externalities and increasing returns in them. Analyze what are their main insights and their main limits.

SECTION II

5.   What implications does the theory of the second best have for the conduct of economic policy?   How are the findings of several multi-country studies on the economic effects of industrial policies (as measured by the effective rate of protection) relevant to the assessment of the applicability of the theory of the second best?

6.   Discuss how geography, culture, and institutions affect the economic growth of a country. Be sure to include in your discussion, the conclusions by David Landes that the key variable is culture, and by Dani Rodrik that "institutions trump every other variable".

7.   Some China scholars have identified "lessons from China" that ought to have guided the transition strategies implemented in Poland and Russia. Evaluate these "lessons from China"

e.g. dual-tack pricing is the mechanism that allowed China to escape the transformational recession.

8.   Economic management in the 1980s was advised to focus on "getting prices right", the slogan in the 1990s was "getting institutions right." Explain the basis of the broader approach to economic development, especially the importance of this broader approach to increasing the rate of technical innovation. How does the Washington Consensus fit into this analysis?

SECTION III

9.   What is the Great Divergence? What are its main quantitative features? Discuss some of the main controversies surround the Great Divergence: When did it begin? Where did it begin? Why did it happen? Has it been exacerbated by globalization?

10.   Several authors have tried to lay out a unified growth model that can describe the evolution of an economy from a "Malthusian trap" through to "modern economic growth" (whether exogenous or endogenous). Describe in detail three such models and then compare and contrast their approaches. According to Clark, which features of these models look problematic?

11.   What is the "A versus k" debate all about? Cite authors from both sides. What do the data say? Is this a false dichotomy?

12.   Capital does not flow very plentifully to poor countries today. Does this reflect (a) the poor countries' low productivity? (b) their distortions? (c) their weak institutions (country risk)? (d) other forces? Discuss. Contrast with conditions in the 1870–1914 era.