

# Review Questions

December 4, 2008

- 1 What is the distinction between *proximate* and *ultimate* determinants of a country's income per capita?
- 2 What are the obstacles to using data on correlation to infer causation?
- 3 What is the effect of an increase in the investment rate on the level of steady-state output per worker in the Solow model? What is the effect of an increase in the investment rate on the growth rate of output per worker in the model?
- 4 How does the issue of whether saving rates are endogenous or exogenous affect our interpretation of how well the Solow model explains income differences among countries?
- 5 Why can't a country grow forever solely by accumulating more capital?
- 6 What two key mechanism are at work in the Malthusian model? How do they lead to a steady-state level of population and income per capita?
- 7 How is the population growth incorporated into the Solow model? Why does the model predict that countries with higher population growth rates will have lower steady-state income per capita?
- 8 What is a demographic transition?
- 9 How do fertility and mortality interact to determine the net rate of reproduction?
- 10 What is the return to education?
- 11 How does technological progress differ from the accumulation of factors of production as a source of economic growth?

- 12 What does it mean to say that technology is not rival? What does it mean to say that technology is often nonexcludable?
- 13 What factors influence a firm's decision to engage in R&D?
- 14 What is a patent? How do patent affect the incentives to firms to do R&D?
- 15 How can the law of one price be used to assess the degree of economic integration of two countries?
- 16 What factors have led to the increase in globalization over the last 200 years?
- 17 If an economy is perfectly open to capital flows from the rest of the world, how is the level of GDP related to the saving rate?
- 18 What determines the types of goods that a country imports and exports?
- 19 How are poverty and inequality related?
- 20 How is the Gini coefficient constructed? What values of the Gini coefficient correspond to perfect equality and perfect inequality?
- 21 What are some possible explanations for the rise in income inequality in the United States over the last three decades?
- 22 What is economic mobility? How is it related to income inequality?
- 23 What are some to the reasons why governments do things that are bad for economic growth?
- 24 What are some explanations for the positive correlation between GDP per capita and quality of government?
- 25 What are some aspects of culture that are relevant for economic behavior?

- 26 What is the role of “settler mortality rates” in Acemoglu’s analysis of the role of institutions in affecting growth?
- 27 What empirical strategy can be used to isolate “culture” from the role played by markets and institutions?
- 28 What alternative analysis allows mitigating the role of other “unobservable factors” in the cultural explanation?
- 29 Can we say Acemoglu has really given culture a fair chance? Why or why not?
- 30 Discuss the institutional versus the cultural explanations for growth differences