Exam 2 (Total points: 70)

(I) E. Asia

(1) (6 pts) Write a short paragraph about savings and investment in physical capital and education in the period 1960-1990 in E. Asia.

(2) (8 pts) Use Figure 1.11 to compare the role of inputs and TFP in explaining Japan’s and Malaysia’s growth performance.

(3) (8 pts) What is the Gini coefficient? Use Figure 3 to compare the changes in income inequality between 1960 and 1990 in Thailand and Korea.

(4) (6 pts) Briefly describe the role played by the financial sector in the development of the East Asian financial crisis.

(II) Romer: Mauritius

(1) (8 pts) Explain how Mauritius wage was determined when the economy was in autarky (i.e. the Export Processing Zone did not exist). Use a diagram to answer this question.

(2) (12 pts) Explain how the wage is determined after the Export Processing Zone was established. Use a diagram to answer this question.

(3) (6 pts) Suppose labor unions demand that the government forces garment producers to pay workers the value of their marginal product. Analyze the consequences of imposing this requirement on the wage, the profits of each garment firm and on the decision of the foreign firms to come to Mauritius.

(III) Latin America

(I) (8 pts) Identify the main characteristics (at least three) of the world economy during the late 1800's and early 1900's.

(II) (8 pts) Briefly identify at least two of the problems faced by Argentina as the result of its early development based on the export of primary commodities.