

Comments on exam of candidate 10022 SØK2007 spring 2017

This is an excellent exam, and the candidate demonstrates very good understanding of the relevant topics. The exam is given the grade A.

Question 1

The candidate provides thorough and very good answers to all questions, but some minor improvements are still possible:

- d) The organization of the agricultural sector (sharecropping) should also be included as a relevant factor in the explanation of farmers' resistance towards innovations.
- e) The explanation of the micro-macro paradox is insufficient.
- f) The explanation of why low price elasticities imply export earnings instability is somewhat unclear. Low price elasticities imply steep demand and supply curves, so that economic shocks cause large and volatile price fluctuations. This should be illustrated graphically and compared to the case with high price elasticities. Since developing countries typically export primary goods, this can lead to instability in export earnings.

Question 2

The explanation of agglomeration economies is clear, and the presentation of the graphical framework is well done. The economic intuition behind the relevant curves is explained. The candidate includes an analytical presentation of the wage curve, which strengthens the exam answer.

Question 3

Both the graphical and the analytical discussion of the productivity specification are solid. The dynamics of the model are well explained, and the expression for relative productivity in the long run equilibrium is derived. The graphical illustration of increased human capital shows both the long-run effects and the transition path.

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