

Problem Set 7

NOT TO BE HANDED IN/NO ANSWERS WILL BE PROVIDED

1. Romer, Problem 3.14.
2. Romer, Problem 3.17.
3. Romer, Problem 3.18.
4. Romer, Problem 3.20.
5. The following does NOT contain an important element of rent-seeking:
 - A. An inventor applies for a patent.
 - B. A farmer responds to an increase in the price of corn by planting more corn.
 - C. An airline charges more for a round-trip that does not involve a Saturday-night stay than for a round-trip that does.
 - D. (A) and (B).
 - E. (A) and (C).
 - F. (B) and (C).
 - G. None of the above (that is, (A), (B), and (C) all contain an important element of rent-seeking).
6. A cross-country regression of log income per worker on a measure of social infrastructure may overstate the importance of social infrastructure to cross-country income differences because:
 - A. Our measures of social infrastructure are quite noisy.
 - B. The regression ignores the evidence provided by divided countries, such as East and West Germany.
 - C. Countries with favorable social infrastructure may have other characteristics that lead to high income per worker.
 - D. Major parts of cross-country differences in social infrastructure are the result of differences in mortality experienced by European settlers at the time of colonialization, and these mortality differences are uncorrelated with influences other than social infrastructure on income per worker.

(OVER)

7. A positive correlation between measured social infrastructure and income per person could arise from:
- A. A positive effect of social infrastructure on income per person.
 - B. A positive effect of income per person on social infrastructure.
 - C. A third factor that has a positive effect on both social infrastructure and income per person.
 - D. Measurement error in our measure of social infrastructure that is positively correlated with some other factor that has a positive effect on income per person.
 - E. (A) and (B).
 - F. (A), (B), and (C).
 - G. (A), (B), and (D).
 - H. All of the above.

8. According to Acemoglu, an important reason for inefficient political outcomes is:
- A. The intuitive appeal of Marxist analyses of economic issues.
 - B. The inability of rulers to make binding commitments about their future policies.
 - C. The inability of citizens to make binding commitments about their future political behavior.
 - D. (B) and (C).
 - E. All of the above.