

### Quiz 3

#### Take Home Version

You have 24 hours after posting to get it to me by email using Word and or Excel files. Answer X of the following.

1. What is the convergence debate and why does it matter for development and development assistance?
2. Why might higher levels of economic freedom raise economic growth?
3. Currently Canada produces 0.02 percent of world CO<sub>2</sub>. If CO<sub>2</sub> is an important cause of global warming, how much should Canadians be willing to pay to reduce Canada's CO<sub>2</sub> emissions by 10 percent?
4. Suppose economic growth raises income inequality initially and then eventually leads to greater equality. If faster growth means greater inequality in the 'short-term', what growth strategy should we choose (if we could choose rates of growth)?

*An in-class quiz would have the same form as the usual quizzes.*

**Answer 5 of the following questions True, False or Uncertain and briefly explain. Each question is worth 6 points.**

1. Diminishing returns means that output falls as you add capital to a fixed stock of (say) labour.
2. A higher savings rate means less consumption.
3. According to cost-benefit analysis, a higher rate of interest means that benefits should come sooner rather than later to raise the present value of the investment.
4. Easterly believes that good planning will raise the rate of growth.
5. Strong property rights increase the rate of growth.
6. The level of income you will get in the future depends on the amount of capital you have now.
7. Higher population growth lowers income.

Longer answer: as in the take home.