

Name: _____

ID: _____

UC San Diego
Fall 2005

Professor Eli Berman

**Economics 165
Middle East Economics**

Final Exam - Fall 2005

*ANSWER ANY **THREE** (3) QUESTIONS IN THE SPACE PROVIDED
(use the back of the same page if necessary)*

I – Trade and Industrial Policy

- Q1) A. What are gains from trade? Feel free to explain using a diagram.
B. What is an “import substitution” policy of industrial development?
C. Middle Eastern governments which choose “import substitution” policies tend to intervene deeply in the free functioning of credit, labor and land markets. Give some examples.
D. Explain why import substitution and government intervention in markets tend to be observed together.

II - Demographics

- Q2) A. Use a diagram to explain the Malthusian model of population.
- B. What great biologist did Malthus influence? How?
- C. For what period of history does the Malthusian model explain population growth extremely well?
- D. Saudi Arabia was a poor country inhabited by nomadic tribes in the early 20th century which subsequently experienced a large income shock. What would the Malthusian model predict about population growth in Saudi Arabia over a period during which income increased by a factor of ten?
- E. What would Becker's second model predict about population growth in Saudi Arabia over a period during which income increased by a factor of ten? (Hint: It depends.) What would the answer crucially depend on?

III - Religion, Militias

- Q3) A. We have seen that radical religious groups are generous providers of social services within their communities. Use the concepts of efficient prohibition and efficient sacrifices to explain that pattern. Feel free to use a diagram.
- B. Why would the same groups be efficient at running militias, if they chose to do so?
- C. Does your answer to (B) suggest how a government trying to control radical religious militias could help do so by nonviolent means? Explain.

IV - Iraq

- Q4)
- A. Define the terms roving bandit and stationary bandit.
 - B. Use those terms to explain how investment developed in Iraq over the period of sanctions after the first Gulf war.
 - C. Current U.N. policy toward states which threaten their neighbors or abuse their citizens seems to be: first apply sanctions, if sanctions fail invade and establish a western-style democracy and economy. Explain using your answer to (A) why this policy might be quite expensive.
 - D. The Afghan economy is recovering to pre-sanction levels much faster than is the Iraqi economy. Why do you think that is?

V – Agency

- Q5) A. Why do nomadic societies which graze sheep and goats tend not to practice slavery?
Explain briefly
- B. The primary crop of the Aztec economy was corn. Do you think that they practiced slavery? Why?
- C. If property rights were complete, what does the Coase theorem state?
- D. If property rights were complete, would slavery be necessary for economic efficiency?

*Please sign the Buckley waiver if you're comfortable with it.
Have a safe and enjoyable break.*

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