



Masterprüfung

**Klausuren für Volkswirte, Betriebswirte, Handelslehrer
und Wirtschaftsinformatiker, MA und Diplom Studierende**

Datum: 17.04.2009

Prüfungsfach: Kreditpunkte-Klausur

„Development Aid“

Themensteller: Prof. Dr. Axel Dreher

Kandidat:

Name:

Vorname:

Matrikel-Nr.:

Fachrichtung:

Semesterzahl:

Raum:

Remarks:

Please leave 5cm on each edge of every page and number each page.

Please write your name and matriculation-number on each page.

When you start a new question, please use a separate sheet.

A non-commented language dictionary can be used.

Klausur Development Aid

Part	Topic	Points
I	<i>short questions</i>	15
II	<i>regression</i>	30
III	<i>essay</i>	45
Σ		90

1	2	3	4	5	Σ

Note:

Remarks:

The exam is divided into three parts. Please answer **all the questions in Part 1**. Select **one of the questions in Part 2** and answer **all the questions in Part 3**. The assigned points correspond with the estimated time needed to answer the question.

In total, one could receive a maximum of 90 points. The exam lasts 90 minutes. Please be aware of the time limit. Answers can be in English or German.

Good luck!

Prof. Dr. Axel Dreher
Wintersemester 2008/9
Klausur Development Aid

Part 1: Please answer all the questions of Part 1. The estimated time needed corresponds with the maximum attainable points. All together, you should have about 15 minutes for this part.

1.) (10 Points)

Explain the “vicious circle in development” and how it does affect the developmental stages of a country.

2.) (5 Points)

Explain potential geo-political interests of donors in giving development aid.

Part 2: Please answer one of the following two questions. You should spend about **30 minutes** for this question. In case both questions are answered, only question 1) will be graded.

- 1) Below is the result of reconstructing the Burnside-Dollar (2000) study, Aid, Policy and Growth (2000), by Easterly, Levine and Roodman (2004).
 - a) **(10 Points)** Interpret the coefficient of 'Aid*Policy'.
 - b) **(10 Points)** Given this table, do the amounts of aid increase economic growth?
 - c) **(10 Points)** Does the study by Easterly, Levine and Roodman confirm/reject Burnside-Dollar's findings? Explain in more detail.

Sampling universe: Burnside-Dollar regression:	(1)	(2)	(3)	(4)
	All developing countries, outliers omitted Regression 5, OLS		Only low-income countries, outliers omitted Regression 8, 2SLS	
Right-hand-side variable:	BD data, BD sample, 1970–1993	New data set, full sample, 1970–1997	BD data, BD sample, 1970–1993	New data set, full sample, 1970–1997
Aid	−0.02 (0.13)	0.20 (0.75)	−0.24 (−0.89)	−0.16 (−0.26)
Aid*policy	0.19** (2.61)	−0.15 (−1.09)	0.25* (1.99)	−0.20 (−0.65)
Policy	0.71** (3.63)	1.22** (5.51)	0.59 (1.49)	1.61** (2.93)
Observations	270	345	184	236
R^2	0.39	0.33	0.47	0.35

Control variables included but not shown.

Dependent Variable: Growth of GDP/capita

- 2) Please interpret the table below. Do not answer with simple 'yes' or 'no' and connect your answers to the existing literature. E.g., are the results shown below typical for such regressions? The dependent variable are IBRD loan commitments.
- a) **(10 Points)** Explain what the first three independent variables measure and why they are included in the regression.
- b) **(10 Points)** Given the table, which factors does the IBRD consider most important in allocating loans to developing countries?
- c) **(10 Points)** Would you say that the IBRD serves its mandates, given the practice of its loan allocation? Justify your arguments based on the findings in the table below.

IBRD commitments in 1996 US dollar term

	(1)	(2)	(3)
Board Member	1.464 (1.99)**	1.382 (1.97)*	
Board Voting Power			0.539 (2.49)**
Bank Voting Power		0.967 (0.88)	0.781 (0.71)
ln(per capita GDP)		1.982 (1.6)	1.998 (1.6)
ln(Population)		0.368 (0.12)	0.393 (0.12)
Major War		-1.881 (2.51)**	-1.882 (2.51)**
Political Climate		-0.01 (0.26)	-0.011 (0.27)
Observations	5645	4061	4061
# of countries	173	135	135
R-squared	0.04	0.08	0.08

Part 3: Please answer all the questions. For this part, you should need 45 minutes.

1) (15 Points)

Can aid lift a country out of poverty? What would be ways to make aid more effective?

2) (15 Points)

Address pros and cons of debt-relief. Is debt relief necessary for a country's development?

3) (15 Points)

Briefly explain Jeffrey Sachs's 'Big Push' and William Easterly's opposition to it. Propose a recommendation on how to achieve the Millennium Development Goals (MDGs) based on your position concerning the Sachs-Easterly debate.