

Midterm #1 Answer Key Winter 2000 ECN 110B

Multiple choice answers

	White (#1)	Blue (#2)
1	E	E
2	C	B
3	D	D
4	D	D
5	C	E
6	E	E
7	B	B
8	D	E
9	D	D
10	E	A
11	E	D
12	B	B
13	E	C
14	D	E
15	A	C
16	D	D
17	B	D
18	C	C

Long Answer

The main point that should have been mentioned in the answer to this question is that using a Malthusian model, technology cannot be inferred from standard of living (w). This could have been illustrated in two basic ways. (1) Using the diagrams of the Malthusian model, show that countries with markedly different technologies could have the same real wage (w). (2) Explaining the effects of technological progress in the Malthusian model in words without using the graph. Either way was acceptable. The model answer below will be a brief example of the 2nd method:

The statement does not seem justified using the Malthusian model as the method of analysis. In the Malthusian model, slow technological advance does not affect the real wage in the long run. Imagine two countries, China and Britain, that initially have the same real wage. Britain then experiences a one time gain in technology. In the short run this will increase wages. However, this will cause the death rate to drop. Now the birth rate is above the death rate. Population will increase, thus driving down wages, until they are at the initial level, again equal with China. Thus, Britain's superior technology does not imply higher real wages.

For full credit on this essay, more information must be present. The essay must have contained reasons for why the wages may have been similar, namely similar birth rates in both countries. For full credit you must have mentioned some of the evidence that there seemed to be some forms of birth control in China that kept the real wage high. This information is in Chapter 2 of the notes, specifically pages 19 and 20 (pages 26 and 27 in handwriting).