

Economics 121

SAMPLE MID-TERM EXAMINATION

Instructions:

- 1.This is a closed book examination.
  - 2.Please answer all questions. They all carry equal weight. Please budget your time accordingly.
  - 3.Please start every question on a new page.
  - 4.Please sign the honor code. Good luck!
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Answer the following questions briefly.

- (1) Explain the difference between a market exchange rate and a “purchasing-power-parity” (PPP) exchange rate.
- (2) What are some distinguishing characteristics of a developed economy?
- (3) What is the principal source of economic growth for industrialized economies in the postwar period? What is the principal source of economic growth for developing economies in the postwar period?
- (4) Explain why a high domestic savings rate may be desirable for a developing economy.