

Turn in each essay separately using the word template (leave out question/sections you are not answering). Please turn your answer to question MQ-1 or MQ-2 April 21st and your answer to MQ-3 April 28th. Sections in italics are optional for Masters or PhD students. Please write your answers in a separate font, single spaced, right after each question mark ? or phrase. Do use, quotes, number and or figures from lecture notes or internet with attribution. In word cut and “paste special” to get jpg format which takes less space (See [WBI VC format](#) suggestions for slides and tables) Include a list of references you cite at the end of each question. Citation can have any author (date, page) format. Make sure all figures, equations and tables are number and are referred to the in text, you can past copies of Tables are Figures as long as their numbers are unique. If you right click jpg graphic in word you can add a title or a source to the image or Table. [Avoid vertical lines in Tables](#), use readable fonts, avoid dark backgrounds shading, see referece format below. If possible type equations in word or latek, convert to a pdf if necessary, if you take pictures of drawings or equations, be sure to increase the contrast and cut and paste them as jpg files to make them more legible and prevent your file from getting too large.

MQ-1: Master students: A) Contrast Baldwin’s value chain argument regarding the top 1% with Piketty-Milanovic et al. “Plutocrat” view of the top 1%. Which view is more consistent the Why Nations fail debate over Carlos Slim vs. Bill Gates. Does this have implications for tax and redistribution policies? B) [Chapter 3 of the WEO](#) documents the key reasons for a declining labor share in many if not all countries (Figure 3.4). What are the main causes of the falling labor share? Inequality is rising with labor share falling, but how does this differ from Piketty’s explanation? Did the falling labor share contribute to the Brexit and recent U.S. presidential vote? Why is labor’s share falling in China, might this be reversed by Lewis turning point? C) [Chapter 3 of the WEO](#) also discusses the potential role of a higher elasticity of substitution between labor and capital (see Solow’s review of Capital). A value greater than one leads to a rising share of capital, but also greater potential for long run growth; explain. *Piketty has another explanation for a rising capital share which is not associated with higher long run growth, what is his explanation?* D) How does financial integration affect labor’s share (in China for example). Is most of the decline in labor’s share globally due to globalization (according to the IMF)? E) Discuss strategies for reducing inequality via direct redistribution or [reducing gender inequality](#) (click the “our research shows” link and for the Americas, [see this blog entry](#)). Use the Aghion and Williamson model outlined in the class notes to explain how lower inequality increases growth and social mobility (see also the mobility discussion in Daba-Norris et al 2015). F) *In your case study countries, does it seem redistribution will fuel growth or compensate those left behind (workers vulnerable to automation for example).*

MQ-2: PhD students: A) Use the long Barro model with government to explain why decentralized capitalism leads to underinvestment. Relate this result to the efficiency of $r > g$ (Piketty’s argument). B) Review the [IMF Chapter 3](#) arguments regarding the high elasticity of substitution between labor and **capital**. Why does this lead to both higher potential long run growth forever (endogenous growth) and more inequality. What is Piketty’s explanation of a higher capital share? Is this supported by evidence presented in [Chapter 3 of WEO](#) What distributional problems does this lead to (similar to the extractive or automation models).

MQ-3: (wait *President Trump recently backed away from his claim that China’s real exchange rate undervalued (and manipulated). (a) Use the PWT 9.0 to download the real exchange rate data for China and other Asian countries. Has China’s exchange rate appreciated or depreciated in recent years? Compare these estimates with other available estimates of China’s real exchange rate (see Krugman’s Reserves series below for example, or the IMF REER). (b) Take a look at the IMF [WEO released in April 10th](#). What is their outlook for China, India and Africa? Why are is the growth of these countries connected and vital for the world economic outlook? (c) Look at [PWT 9.0 TFP](#) growth for the major Asian countries; it is consistent with the Krugman-Young “myth of the Asian miracle” argument. Use basic growth accounting to explain the Krugman Young argument. Is TFP growth slowing in Asia and the OECD*

nations? Is this consistent with Piketty's argument re long term growth? D) Focus on a developing region you care about (Africa, Asia or Latin American or Eastern Europe). What does the IMF say complicates or their [April WEO growth outlook](#) (see Chapter 2 and the related video below)? They mention world interest rates, which does this matter. E) Alternatively please discuss the new development initiatives [China](#) and [India](#) have embarked on (for China include new land reform and Syngenta... how will this ease wage pressures? On India see also [Duflo's 2017 Ely lecture](#)). How do might these development plans boost growth for them and for the world economy? Does the success of these plans depend on external trade and capital flows, directly or indirectly. If it fits your case study country discussed WIDER's extractive industries growth model. How does this model appear similar to problem of coping with automation?

Please include references to readings in your answers. A url is not a reference, though it is a nice gesture, if you encourage others to read what you have read. Please use this format for your references (including these ?).

Berg, A. G., & Ostry, J. D. (2011). [Inequality and efficiency](#). *Finance & Development*, 48(3), 12-15.

Dabla-Norris, et al 2015, Dabla-Norris, Ms Era, Ms Kalpana Kochhar, Mrs Nujin Suphaphiphat, Mr Frantisek Ricka, Evridiki Tsounta. Causes and [consequences of income inequality: a global perspective](#). International Monetary Fund.

Gonzales, Christian, Sonali Jain-Chandra, Kalpana Kochhar, Monique Newiak, and Tlek Zeinullayev (2015) "Catalyst for change: Empowering women and tackling income inequality." IMF. <http://www.imf.org/external/pubs/ft/sdn/2015/sdn1520.pdf>

Ostry, J. D., & Berg, A. (2011). [Inequality and unsustainable growth: two sides of the same coin?](#) (Working Paper No. 11/08). International Monetary Fund, Washington DC. <http://www.imf.org/external/pubs/ft/sdn/2011/sdn1108.pdf>

Ostry, Mr Jonathan David, Mr Andrew Berg, and Mr Charalambos G. Tsangarides (2014) Redistribution, inequality, and growth. [International Monetary Fund](#).



CHAPTER 2 ▼

CHAPTER 3 ▼

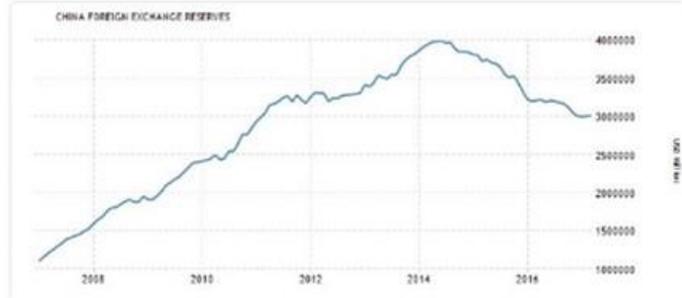
Please take a look at this IMF [WEO Chapter 2 and 3](#) video, the first five minutes and the last 15 minutes (starting about minute 16 as shown above).



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Following

China has gone from selling yuan and buying dollars -- weakening currency and adding reserves -- to doing the reverse. But nobody told prez



RETWEETS
286

LIKES
446



10:38 AM - 13 Apr 2017