

**Econ N171 Economic Development**  
**Homework Assignment #5**

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**Due** in Class on Tue August 9<sup>th</sup>

1. The World Development Report of 2009, “Reshaping Economic Geography,” notes that “As economies grow from low to high income, production becomes more concentrated spatially.”
  - a. Explain in your own words the virtuous circle that location confers in economic development.
  - b. What are the policy implications of the three attributes of development – geographic unevenness, circular causation, and neighbourhood effects?
  - c. Justify the proposition “Cities are the engines of growth.”
  - d. State and briefly explain economies of scale, scope, urbanization. Also, distinguish between three types of agglomeration economies by giving example of such from your general knowledge of the subject.
2. “Subsistence, Trade and Exchange: Understanding Developing Economies,” Peter Bauer argues for the importance of internal trade for development.
  - a. Why is internal trade important? In other words, what are the linkages between economic growth and internal trade?
  - b. What is his argument against the existence of the “vicious cycle of poverty”?
3. We discussed Joseph Stiglitz’s critique of the Washington Concensus.
  - a. What are the main components of the Washington Concensus?
  - b. What is Stiglitz’s conception of development and in what ways does it differ from the Washington Concensus?
  - c. How does it compare with the concept of development that is discussed by James Dorn in his article, “Sustainable development: a market-liberal vision.”
  - d. If you were advising the government of a currently very poor developing country, would you recommend that they seek the assistance of Stiglitz or would you ask them to consult Dorn? Justify your advice briefly.