

EXAM ECON1910 – spring 2018

Consider a household whose income depends on its work capacity and where the work capacity depends on the income.

1. How would you explain the two relationships?
2. What is a poverty trap?
3. Discuss how the two relationships in (1.) have to be shaped in order to get a poverty trap.
4. Discuss how policies that directly increase income may affect the economic situation of the household.
5. How could free education, social insurance, and free health care affect the situation of the household?