Resit-Examination in

Intermediate Development Economics

1st of December 2013
9:00am-12:00am

This exam contains TWO sections: **Section A** and **Section B**.

Section A contains six questions, each worth 10 points. You have to answer ALL of those six questions.

Section B contains three questions, of which you have to answer ONLY TWO. You can choose which TWO of the three questions in Section B you answer. Each of those questions is worth 20 points. (Do not answer three questions in Section B. If you do so, only the first two questions answered will be marked.)

You can earn a maximum of 100 points on this exam. Your grade for this course is based on the sum of your points in this exam and the points you received for your presentation. If this sum is greater than 100, your final points are 100. For the grade E 45 points are required, for D 50 points, C 60 points, B 75 points and A 90 points.

Please write your identification number (stated in the upper right hand corner on your exam cover) on each paper and cover sheet.

Use one cover sheet per question. Explain notions/concepts and symbols. If you think that a question is vaguely formulated, specify the conditions used for solving it. Only legible exams will be marked. No aids are allowed.

Results will be made available on your "My Studies" account (www.mitt.su.se) on the 18th of December the latest.

Good luck!

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Section A

Question A.1: *`The Solow model predicts that all countries grow at the same rate in the long run.' Is this statement true or false? If false, can you correct the statement? No points will be awarded without explanation.*

Question A.2: *Explain what hyperbolic discounting is, and how it might explain time inconsistent choices.*

Question A.3: *Discuss how capital should optimally be allocated across uses in a society. Explain two reasons why capital might not be allocated this way.*

Question A.4: *Explain why historical data makes Daron Acemoglu, Simon Johnson and James Robinson believe that institutions are important drivers of the long-run growth of nations.*

Question A.5: *A study found that children of families that were randomly chosen to participate in a Conditional Cash Transfer programme had lower dropout rates from school than children from families that were not chosen. Is it therefore true, that high dropout rates are not caused by poverty, but rather by parents who do not care enough about the future of their offspring? No points will be awarded without explanation.*

Question A.6: *What is the Kuznets's hypothesis? Is there empirical evidence in favour/against it?*

Section B

Question B.1: *Describe how adverse selection might explain why we see high interest and low repayment rates in developing countries' credit markets. Karlan and Zinman (2011) provide evidence on how important adverse selection actually is for repayment probabilities. Describe their experimental design, how it allows to measure the effect of adverse selection on repayment rates, and their findings.*

Question B.2: *Discuss how one could derive a prediction of the effect of the climate change that is to be expected over the next 50 years on the mortality rate of the poor. The evidence discussed in class suggests one particular economic mechanism through which periods of hot weather affect mortality rates. Describe this economic mechanism and the evidence we have on it.*

Question B.3: *Without receiving the full amount of the produce, agricultural tenants might not want to spend the socially optimal amount of effort/care when working on the field. Why? Banerjee, Gertler and Ghatak (2002) provide evidence on the effects of a reform of property rights, the so-called `Operation BARGA'. Describe their research methodology and discuss whether this can provide evidence on the effects of increasing the tenants' share of output on agricultural productivity.*