

Resit-Examination in Intermediate Development Economics

6th of December 2014
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.

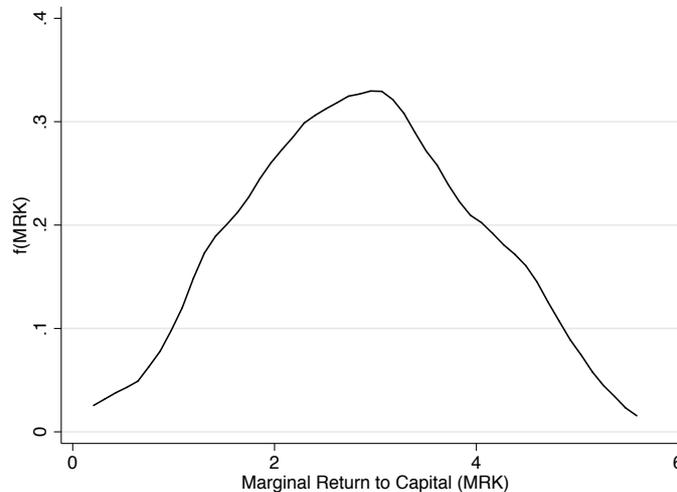
Use one cover sheet per question. Explain notions/concepts and symbols. If you think that a question is vaguely formulated, specify the conditions used for solving it. Only legible exams will be marked. No aids are allowed.

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

Good luck!

Section A

- Question A.1: *'The Solow model predicts that, all other coefficients being equal, countries with a higher population growth rate will have a lower per capita capital stock 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 (a) what hyperbolic discounting is, and (b) how it might explain time inconsistent choices.*
- Question A.3: *The graph below plots the distribution of the marginal product of capital (MPK) of firms in Legoland. The mean of the marginal product of capital is 2.86, and the opportunity cost of capital is unknown. Explain why the graph suggests that the allocation of capital in Legoland is inefficient.*



- Question A.4: *Acemoglu, Johnson and Robinson present data that makes them believe that 'geographic conditions' are not a driver of long-run economics growth. What is the evidence they present and why does it lead them to draw this conclusion?*
- Question A.5: *(a) Explain how the number of 'missing women' in a country is calculated.
(b) In which regions of the world is the number of missing women largest?*
- Question A.6: *What is the Kuznets's hypothesis? Is there empirical evidence in favour/against it?*

Section B

- Question B.1: (a) *Describe how adverse selection might explain why we see high interest and low repayment rates in developing countries' credit markets. (b) 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. According to this theory, increasing the tenant's share in output should increase agricultural productivity (call this the 'incentive effect of share-cropping contracts').*
(a) 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 incentive effect of share-cropping contracts.
(b) If you could design an experiment yourself to test whether share-cropping contracts do indeed have this incentive effect on agricultural productivity, how would that experiment look like? (Describe in detail.)