Resit-Examination in

Intermediate Development Economics

6th of December 2015
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 16th of December the latest.

Good luck!

Section A

Question A.1:   *What are the advantages of running a randomised controlled trial when trying to understand the causal effects of some intervention on some outcome? What might be drawbacks of this research approach?*

Question A.2:   *In developing countries and for traditional credit contracts (i) interest rates are high and (ii) repayment rates are low. Explain how the moral hazard theory can explain these two facts.*

Question A.3:   *The below graph plots the probability density function of the marginal revenue product of stones (MRPK) of enterprises in Rome and Armorica, respectively, in the year 50 BC, measured in gold coins. The mean of the MRPK in Rome is 1.04, and in Armorica it is 2.78.*
Imagine stones could be reallocated in the following way: You can select one Roman enterprise to have less stones (worth 1 gold coin), and one Roman enterprise to have more stones (worth 1 gold coin). You can do the same within Armorica. Where could you generate a higher increase in output, in Rome or Armorica? Explain your answer.
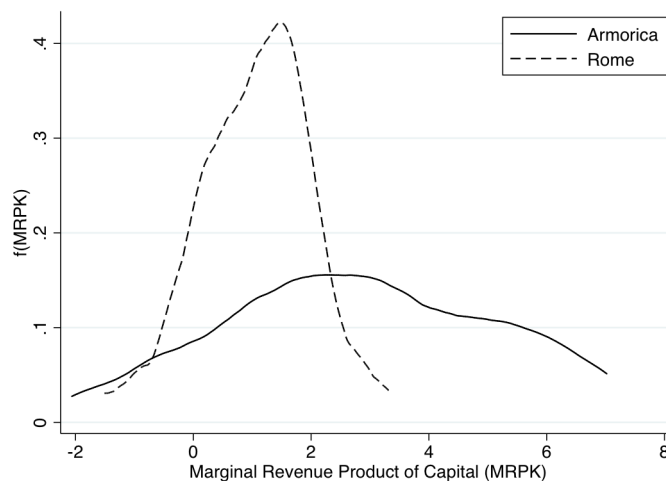
Question A.4:   *Country A and Country B are similar in all respects, including the savings rate. There is one exception: For the next 5 years only, Country A has a higher savings rate. `The Solow model predicts that Country A and Country B will have the same per capita capital stock in the long run.' Is this statement true or false? If false, can you correct the statement? No points will be awarded without explanation.*

Question A.5:   *Agricultural output might be lower when tenants are operating land under a share-cropping contract, since the tenants have lower incentives to purchase inputs and adopt costly technologies. If you could design an experiment to test whether share-cropping contracts do indeed have this incentive effect, how would that experiment look like? [Be as specific as possible.]*

Question A.6:   *What is the Kuznets's Hypothesis? Is there empirical evidence in favor or against it?*

Section B

Question B.1:   *Robert Jensen's paper `The Digitial Provide: Information (Technology), Market Performance, and Welfare in the South Indian Fisheries Sector' describes the beneficial effects of information technology on market efficiency. Explain (a) how he estimates the effects of the introduction of information technology on fish markets, (b) what he finds and (c) how we can understand these findings.*

Question B.2:   *Describe how ex-ante moral hazard might explain why we see high interest and low repayment rates in developing countries' credit markets. Discuss why, theoretically, micro-credit schemes might help to solve this problem.*

Question B.3:   *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.*