Stockholm University

Department:	Economics
Course Code:	EC2303
Exam Type:	Main
Examiner:	Konrad B. Burchardi
Credits:	7.5 credits
Exam Length:	3 hours

Re-Examination in

Intermediate Development Economics

1st of December 2017
3:00pm-6:00pm

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.

Write your exam identification number on each answer sheet. Use the printed answer sheets for all your answers. Do not answer more than one question on each answer sheet.

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 13th of December the latest.

Good luck!

Section A

Question A.1: *Describe how ex-ante moral hazard might explain why we see high interest and low repayment rates in developing countries' credit markets.*

Question A.2: Hall and Jones present in their paper "Why Do Some Countries Produce So Much More Output Per Worker Than Others?" (QJE, 1999) a methodology to quantify the contribution of human capital to economic growth.
Describe the approach of Hall and Jones, explain how it differs from the approach presented by Mankiw, Romer and Weil in "A Contribution to the Empirics of Economic Growth" (QJE, 1992, required reading), and state the key finding of Hall and Jones.

Question A.3: *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.4: Acemoglu, Johnson and Robinson's "The Colonial Origins of Comparative Development: An Empirical Investigation" (AER, 2001, required reading) presents data that makes the authors believe that institutions are a driver of long-run economic growth.
Explain how the authors arrive that this conclusion. What assumption does one need to make to believe that their results demonstrate a causal effect of institutions on long-run economic development?

Question A.5: Suresh de Mel, David McKenzie and Christopher Woodruff present in "Returns to Capital in Microenterprises: Evidence from a Field Experiment" (QJE, 2008, required reading) estimates of the returns to capital in microenterprises in Sri Lanka.
Explain how they estimate the returns to capital. Do their results make you think that microenterprises in Sri Lanka are capital constrained?

Question A.6: Thomas Piketty presents the attached graph (see end of exam script). To generate this graph the author obtained data on individual incomes in the United States for each year from 1910 until 2010. For each year the author identified the group of people who constitute the 10% of the population with the highest income in that year. He then calculated the income of this group relative to the total national income, and plotted how this `share of top decile in national income' evolved between 1910 and 2010.
How does Piketty explain the time-pattern observed in this graph? In Piketty's view, is this data consistent with the Kuznets Hypothesis?

Section B

Question B.1:

(a) *Explain why entrepreneurs might not take up investment opportunities with high average returns in the absence of functioning insurance markets.* [5 points]

(b) Karlan, Osei, Osei-Akoto, and Udry (QJE, 2014) investigate the role of improved access to insurance and credit for farmers' investment decisions. *Please describe their experiment, and what conclusion they draw from the results presented in the attached graph (see end of exam script).* [10 points]

(c) Take up for weather insurance has been surprisingly low amongst farmers in developing countries. *Explain what aspect of traditional weather insurance products might be responsible for the low take-up, according to Casaburi and Willis (working paper, 2017).* [5 points]

Question B.2:

(a) *Discuss how Burgess, Deschenes, Donaldson and Greenstone 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 in their paper "The Unequal Effects of Weather and Climate Change: Evidence from Mortality in India" (working paper, 2013, required reading).* [10 points]

(b) *The evidence presented in that paper suggests a reason why periods of hot weather might have large effects on mortality rates. Describe this mechanism and the evidence presented in the paper.* [10 points]

Question B.3:

(a) In "The Digital Provide: Information (Technology), Market Performance and Welfare in the South Indian Fisheries Sector" (QJE, 2007, required reading), Robert Jensen presents the attached figure (see end of exam script). It depicts the daily average price for fish on local markets, markets are grouped into three regions, and the solid vertical line depicts when cell phone towers started operating in the regions. *Explain how we can understand the striking pattern in the figure.* [10 points]

(b) In "Information, Demand and the Growth of Firms" (working paper, 2017) the authors follow up on the earlier findings, and study the effects of the cell phone tower roll-out on productivity in the boat building sector. *Explain why, according to them, productivity in the boat building sector changed after cell phone towers became operational, and what data they present to substantiate that claim.* [10 points]

Figure: Question A.6

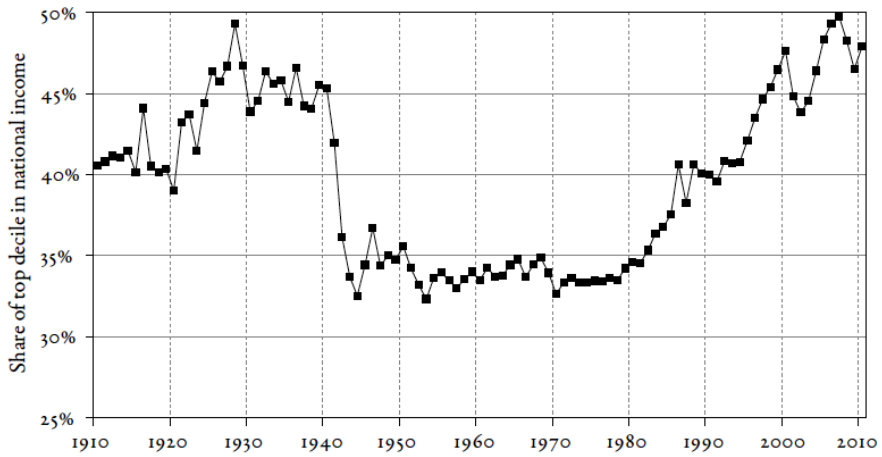

FIGURE I.1. Income inequality in the United States, 1910–2010

Figure: Question B.1

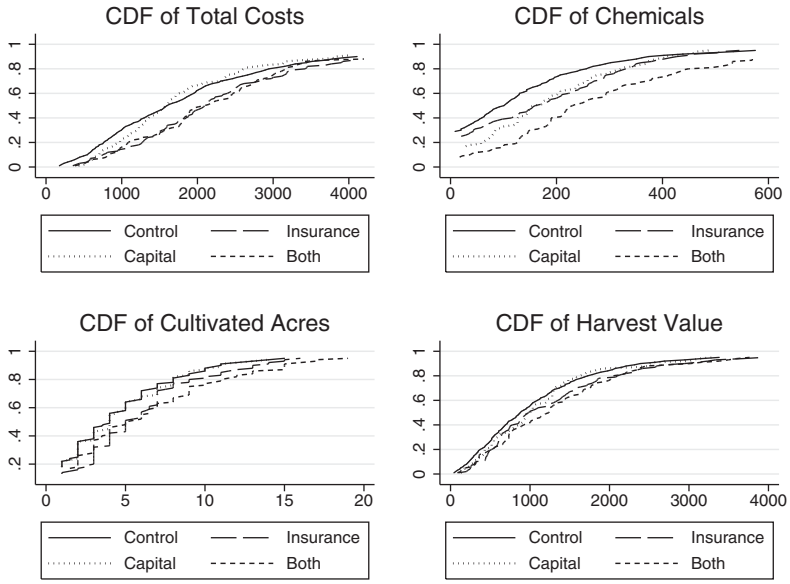

Table: Question B.3

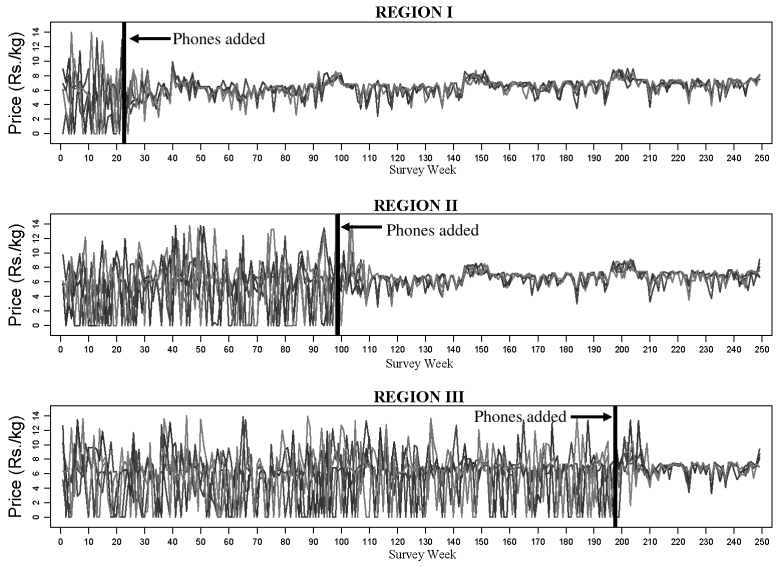

FIGURE IV
Prices and Mobile Phone Service in Kerala