Department of Economics

Course name:	Intermediate Development Economics
Course code:	EC2303
Type of exam:	Resit Exam
Examiner:	Konrad Burchardi
Number of credits:	7.5
Date of exam:	9th of December 2020
Examination time:	13:00-16:00
Aids:	Open-book exam: you may access course literature and your notes. **Note:** You have to answer the questions individually. Cooperation with others seeking any help from other sources is not allowed. Plagiarism control will be used.

Write your identification number on each answer sheet.
Start each new question on a new 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.*

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

Section A contains four questions, each worth 10 points. You have to answer ALL of those four 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 80 points on this exam. Your grade for this course is based on the sum of your points in this exam and the points you receive for your presentation. For the grade E 45 points are required, for D 50 points, C 60 points, B 75 points and A 90 points.

Your results will be made available on your Ladok account (www.student.ladok.se) within 15 working days from the date of the examination.

Good luck!

Section A

Question A.1: Acemoglu, Johnson and Robinson (AER, 2001) present data that makes them believe that institutions are a driver of long-run economic growth.

Explain their argument and methodology, and critically assess its plausibility.

Question A.2: *Why might a reduction in risk-exposure lead households to take up profitable but risky investment opportunities? Explain all evidence discussed during lecture demonstrating (or not) such an effect.*

Question A.3: Imagine an NGO which operates in post-conflict regions around the world. The NGOs modus operandi is to conduct intensive training programs for local entrepreneurs just after a violent conflict ended. The NGO is now applying for further funding to SIDA, and SIDA requires them to implement a randomized controlled trial (RCT) to demonstrate the effectiveness of the NGOs program. You are in charge of designing and organizing the RCT.

Describe in detail how to implement the randomized controlled trial (including also a description of which data is collected when). How would you analyze the data that is generated by the randomized controlled trial?

Question A.4: 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 their approach, how it differs from the Mankiw, Romer, Weil (QJE, 1992) approach, and the key finding of Hall and Jones.

Section B

Question B.1: Burgess, Deschenes, Donaldson, and Greenstone (2013) provide a methodology to predict the effect of the climate change that is to be expected over the next 50 years on the mortality rate of the poor.

    (a) Explain their methodology in detail. [8 points]

    (b) Do you believe their methodology to provide an upper- or lower-bound on the expected increase in mortality rates due to climate change? Explain your answer. [4 points]

The authors also present evidence that suggests one particular economic mechanism through which periods of hot weather affect mortality rates.

   *(c) Describe this economic mechanism and the evidence they present for it.* [8 points]

Question B.2:   *(a) Describe how adverse selection might explain why we see high interest rates, low repayment rates, and the exclusion of some borrowers from borrowing in developing countries' credit markets.* [8 points]

Karlan and Zinman present an experimental design that allows to uncover whether adverse selection is present in credit markets. (Econometrica, 2009)

    (b) Explain how their experimental design allows to test for the presence of adverse selection in credit markets. [7 points]

    (c) State their findings on the presence of adverse selection in credit markets and discuss what you think we learn from these about the importance of adverse selection in credit markets in general. [5 points]

Question B.3: *(a)* In "The Digital Provide: Information (Technology), Market Performance and Welfare in the South Indian Fisheries Sector" (QJE, 2007), Robert Jensen presents the below figure. 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 in detail how to understand the striking pattern in the figure. [10 points]

FIGURE IV
Prices and Mobile Phone Service in Kerala
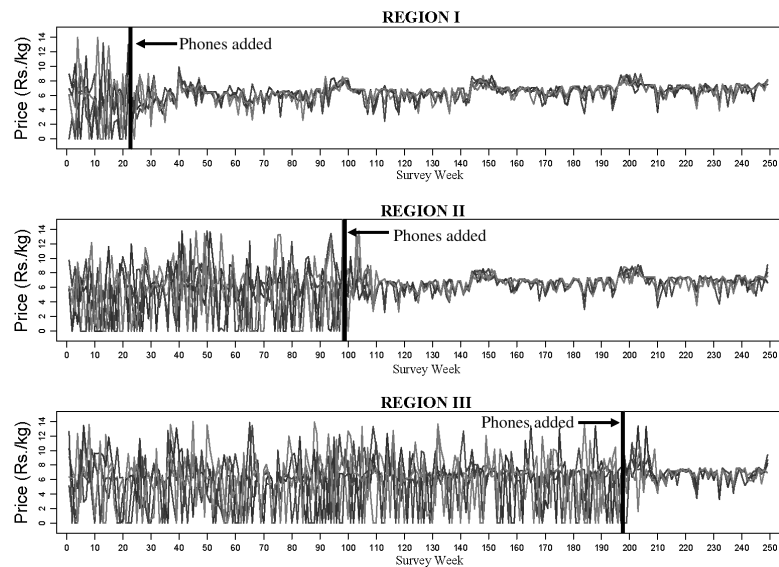
(b) In "Information, Demand and the Growth of Firms" (AER, 2018) the authors follow up on the earlier findings, and study the effects of the cell phone tower roll-out on productivity in the boat building sector.

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]