

Final Examination

(1 hour 30 mn, 20% of final grade, 20 points)

Respond concisely and very precisely in words and equations to 2 of the following 3 questions (10 points each)

You do not have to discuss everything in a table. Select what you consider the most important for your argument. But remember to interpret the magnitude of the coefficients whenever possible and note the econometric specificities whenever important.

1. The Long-term Effects of Shocks

- a. Households facing shocks may respond in different ways, for example by selling their assets, sending their adult labor force on the labor market, taking their children out of school, sending them to work, and in the most severe case, reducing their food consumption. Very succinctly discuss if and in what ways these responses may have long-term welfare consequences. If you know (even approximately) of papers that either identify these responses or analyze their consequences, refer to them.
- b. How do Alderman, Hoddinott, and Kinsey (*OEP*, 2006) establish that the 1982-84 drought in Zimbabwe has had a long-term impact on the small children of that time, when they observe them more than 15 years later in 2000. What data do they use? What is their empirical strategy? Be very precise.
- c. What do they find? Use the Tables attached to support your discussion.

2. The Aggregate Effects of Production Shocks

- a. Suppose there is a negative weather shock in a largely agricultural economy. The harvest is low, labor demand in agriculture falls, smallholders have lost their crop, etc. Describe the consequences on the labor market and the wage. How does the wage response affect landlords and smallholders, and mitigate or exacerbate the initial welfare effect of the production shock. Explain how the presence of a well developed credit market affect the relationship between fluctuations in production and wage volatility.
- b. Describe briefly the strategy used by Seema Jayachandran (*JPE* 2006) to test this model. What data does she use, what is the level of analysis, what econometric method does she use? Discuss the rainfall variable and the underlying physical relationship between rainfall and production that it is capturing.
- c. Use the results in Tables 2 and 3 to report on her findings. What do you learn on the labor market?

3. The Consequences of Tenure Insecurity

- a. Briefly discuss the concept of tenure security and in what ways tenure security differs from the fact of holding a title. What are possible consequences of tenure insecurity. If you know (even approximately) of papers that look at these, refer to these studies.
- b. What is the main source of tenure insecurity described by Jacoby, Li, and Rozelle (*AER* 2002) for peasants in China? How do they measure it? Be very precise on the principle of the method and use the results reported on Table 3 to support your discussion.
- c. Discuss their findings on the effect of tenure insecurity. What are possible confounding factors that they later address with robustness checks?