Field Examination in International Economic Development

Three hours

Part I – Short questions: Answer all six of the following short questions in the place provided below. As a whole they will count for 1/3 of the total points.

1. [Current debates] Compare patterns of economic growth in Sub-Saharan Africa and South Asia since 1970. What are some plausible explanations for the differences?

2. [Trade and development] What are the arguments that Rodrik has used in criticizing the role of WTO in guiding developing countries toward industrialization?
3. [Institution and political economy] Fiscal decentralization is increasingly common in less developed countries. In the context of the public health sector in poor countries, provide one reason why decentralization might be desirable, and one reason why it might be undesirable.

4. [Savings and Credit] Define “precautionary savings”. How is it related to uncertainty about future income, and the liquidity constraints that individual may face? Give two reasons why precautionary savings may not always be an effective strategy against shocks.
5. [Child labor] What (static and dynamic) explanations have been proposed that would justify a link between income distribution and the prevalence of child labor?

6. [Research incentives] Consider the problem of stimulating R&D investment into new seeds and technology for LDC agriculture. Explain how the proposal made by Will Masters attempts to overcome (at least) two problems with a prize system; and two problems encountered with a patent system.
Part II - Essays: Answer any two of the following three questions on two separate collections of sheets. Each will count for 1/3 of the total points.

1. Inequality and Health

Referring to an empirical paper that found a negative relationship between infant mortality and income inequality, Angus Deaton says that the authors considered

“the non-linearity in the relationship between income and health as the basis for their results, and did not propose any direct effect of income inequality at the microeconomic level.”

a) Explain what he means by this statement, including an example of a “direct effect”.

b) Describe carefully two empirical approaches that researchers have taken to try and identify the two sources of a health/inequality relationship referred to in his comment. What were the results of these studies?

c) Would disaggregated estimates of inequality calculated from census and survey data (as in Elbers et. al.) be useful in better understanding the relationship between health and inequality? Explain.

2. Education and Economic Development

a) Discuss the cross-country empirical evidence linking schooling to economic growth during the post-World War II period.

b) Why might these estimates be misleading? Discuss measurement, robustness, and econometric identification.

c) How are microeconomic estimates of the returns to education in less developed countries different than cross-country estimates, and why?

3. Risk

Households living in risky environment remain very vulnerable to shocks despite a variety of strategies of risk management and risk coping they have developed.

a) Describe carefully one empirical study that shows the consequences of some shock on one aspect of household welfare (income, health, education of the children, asset accumulation, etc.). Make sure to clearly (i) state what the paper shows, (ii) describe the context and the data, (iii) explain the identification strategy used, and (iv) discuss issues of robustness and the robustness checks done.

b) Describe carefully one empirical study that identifies a specific household strategy in response to risk (either risk management or risk coping). Again, make sure to clearly (i) state what the paper shows, (ii) describe the context and the data, (iii) explain the identification strategy used, and (iv) discuss issues of robustness and the robustness checks done.