

## 1 Development

1. Characteristics of Developing Countries
2. Problems of GDP per capita as a measure of welfare
3. The methodology behind PPP adjusted dollars
4. HDI versus GDP per capita

## 2 Economic Growth

1. Accumulation of capital in the Solow model: consequences. Does accumulation of capital explain economic growth? Is this conclusion supported by the empirical evidence?
2. Population growth in the Solow model: consequences. Is this conclusion supported by the empirical evidence?
3. Technological progress: what do we understand by technological progress? How do we measure it? Causes and consequences
4. Explain labour augmenting technological progress. Why do we call the kind of technological progress that we witness “labour augmenting”?
5. Unconditional convergence versus conditional convergence. Which one is supported by the data?
6. Problems of the neoclassical growth (Solow) model

## 3 New Growth Theory

1. Concept and components of human capital
2. The augmented Solow model: why does not capital flow to poor countries? Why is not the return to capital consistently higher in rich countries than in poor countries? Which kind of production function we need to simultaneously explain these two facts?
3. Which prediction of the original Lucas model, in which output is a function of capital and human capital

$$Y = K^\alpha H^{1-\alpha},$$

contradicts the empirical evidence? Does accumulation of human capital explain economic growth?

## 4 Population

1. Demographic concepts and relation among them
2. Importance of the age distribution: the dependency ratio
3. Impact of development on population growth: the demographic transition
4. Relation between mortality and fertility
5. How can fertility be too high (or too low)?
6. Impact of population growth on economic development: negative effects
7. Impact of population growth on economic development: indeterminate effects
8. Impact of population growth on economic development: positive effects.
9. what is a demographic transition?
10. What are the possible channels through which economic growth leads to a reduction in fertility?
11. In what ways is human capital similar to physical capital? In what ways are the two different?

## 5 Women and development

1. Reproduction: costs and benefits of having children
2. Why can we consider fertility an economic issue?
3. Children as durable goods. .
4. Two reasons for the puzzling negative relation between fertility and income per capita.
5. Investing in human capital: reasons for this investment.
6. **Equity concerns** versus **Efficiency concerns**. Use these two concepts to explain reasons why girls (women) receive less human capital than boys (men) all over the world. Other reasons.
7. Reasons for a lower life-expectancy-spread between men and women in developing countries.
8. Missing Women
9. Two ways of changing women's status
10. Impact of investing in women's human capital on development
11. Impact of providing access to financial markets for women on development

## 6 Efficiency and openness

1. The investment decision: how does the social infrastructure affect the cost and profitability of an investment?
2. Efficiency and the social infrastructure: how does the social infrastructure affect Total Factor Productivity (TFP)?
3. Growth and openness: empirical evidence

## 7 Governance

1. First welfare theorem and the role of the government
2. Pros and cons of taxation
3. Bad governance: definition, degrees, and causes
4. Causality: From government quality to income or from income to government quality?
5. What market failures are often cited as justification for government intervention in the economy? In each case, explain how economic policy can address the market failure.
6. What are some explanations for the positive correlation between GDP per capita and the quality of government?

## 8 Culture and geography

1. From culture to economic growth or viceversa?
2. Cultural factors: openness, hard work, saving, trust, social capital, social capability. How country-specific are these factors?
3. Empirical evidence on the effect of culture on economic growth and its limitations.
4. Effects of geography on income and growth: effects of homogeneity, population density, location, climate, and natural resources
5. What are some aspects of culture that are relevant for economic behaviour? What evidence suggests that economically relevant aspects of culture differ among countries?
6. Why is the problem of observer bias particularly severe when we study the effects on culture on economic growth? What are some potential solutions to the problem?
7. What is the resource curse? What are some potential explanations for it?

## 9 Inequality

1. Different measures of inequality: advantages and disadvantages
2. **The Kuznets (inverted-U) hypothesis:** Testing the inverted-U hypothesis. Why cannot we trust a cross-section plot?
3. Effect of inequality on economic growth and development: empirical evidence (Alesina and Rodrik 1994, Deininger and Squire XXXX)
4. Effect of democracy on economic growth, according to the same studies. According to Sen, does it matter whether democracy is good or bad for economic growth? Explain the argument.
5. Effect of inequality on economic growth—first possible channel: socio political consequences of a large initial inequality and its effects
6. Effect of inequality on economic growth—second possible channel: interrelation among inequality, savings and investment (both in physical and human capital), and financial markets. Its effects.
7. Which of these two channels seems to stand best the empirical test?
8. How is the Gini coefficient constructed? What values of the Gini coefficient corresponds to perfect equality and perfect inequality?
9. How does income inequality affect the accumulation of physical and human capital?

## 10 Poverty

1. What is poverty? The concept of a poverty line. Which kind of poverty line?
2. Should we look at income or consumption? Income or wealth? Permanent or temporary? Households or individuals?
3. Different poverty measures and its limitations
4. Empirical observations: poverty characteristics
5. The world by income: geographical location of high-, middle-, and low-income countries
6. Global poverty: trends
7. The trend in global inequality

## 11 Credit markets

1. Different kind of financial intermediaries in DCs
2. Functions of financial intermediaries
3. Two risks of default. What is the solution to each type of risk?
4. Explain the concept of asymmetric information and the two problems created by this lack of information. Which problem is created *ex-ante* and which is generated *ex-post* the transaction occurs?
5. Characteristics of informal credit markets in rural environments in LDCs (moneylenders)
6. Possible explanations of these characteristics (informal credit markets' theories)
7. Questions about Microfinance: same as in the assignment

## 12 mutual insurance societies

1. Which are the two main ways we have of smoothing consumption? Which financial markets they involve?
2. Explain the concept of risk aversion with an example.
3. Explain the problem created by incomplete information in a mutual insurance society? What is the solution to this problem?
4. Explain the problem created by the lack of a formal contract in a mutual insurance society? What is the solution to this problem?
5. Incomplete insurance answers two problems of non-market mechanisms institutions for risk-sharing. Which two problems are these?
6. Explain how social norms interact with incomplete insurance to solve the problem of enforceability of non-market mechanisms institutions for risk-sharing
7. How do economists measure the ability of households to smooth consumption? What this measure leaving out? Explain how risk aversion may result in an efficiency loss.

## 13 Role of families

1. According to Diaz and Echevarria (2002), what are the two main functions of families? Which transfers correspond to which function? Who are the beneficiaries of these transfers? Which function relates to the topic of financial markets
2. How do Diaz and Echevarria (2002) and Vaughan (1985) relate? Explain how the households in Nyasaland were coping during the first six months of the 1949 famine and what happened after six months have elapsed.
3. Explain the quasi-credit concept in Platteau (1997) and how this concept relates to the loan one receives from a relative (credit within families)
4. Pros and cons of families as a mutual insurance or informal risk-sharing society
5. According to Rosenzweig and Stark (1989), what is way of circumventing the cons of families as a mutual insurance or informal risk-sharing societies? Explain the evidence supporting this statement.
6. **Altruism.** The selfish *economic (wo)man* is just a working assumption that predicts well in some cases and not so well in others since, in real life, we are neither completely altruistic nor completely selfish. Can you use the concepts seen in this topic to explain the need to instill altruism in children?
7. Using Stackhouse's article *Daddy George* as an example, explain the potential problems of families acting as the welfare system. Indicate which of these problems are the same as in any other welfare system and which of the problems are specific to the situation of families being the welfare mechanism.
8. According to Cox and Jimenez (1990),
  - (a) what are the main benefits derived from private transfers?
  - (b) Who are these transfers addressed to?
  - (c) Are they motivated by altruism or exchange? Why does the motivation matter?
9. According to Platteau (1997), mutual insurance only works in certain occasions in many societies. Explain why and in which occasions does mutual insurance work.