

Examen Development economics Juni 2022

5 questions, each one on 4p. Each subquestion gets equal weight, except if indicated else.

Pocket calculator was allowed (but not needed at all).

Question 1

- Give 3 types of credit market failures. Explain them [20%]
- Explain theoretically how collateral solves ex-ante moral hazard? [40%]
- Some groups do not have good collateral. Does there exist another solution to ex-ante moral hazard?
- Karlan and Zinman did an experiment with 5 arms. How could they check for ex-ante moral hazard?

Question 2

- Explain the difference between ex ante and ex post insurance. Give an example for each?
- What is the meaning of the coefficient of *Shock* and the coefficient of the interaction term in the study on M-PESA usage? What values do they take under the main null hypothesis, i.e., that M-PESA users smooth consumption better than non-users?
 - Difference-in-difference strategy:
$$c_{ijt} = \delta + \alpha_i + \gamma Shock_{ijt} + \mu User_{ijt} + \beta User_{ijt} \times Shock_{ijt} + \theta X_{ijt} + \eta_{jt} + \epsilon_{ijt}$$
- Explain the basis risk problem in the context of rainfall insurance.
- Burgess & Pande (2005) show that poverty decreases as more bank branches open in a region. Should the government invest more in the banking sector?
- What 2 factors can explain the observed pattern that people opt to receive money on their account instead of cash and explain? (Somville and Vandewalle, 2020)
 - (lack of self-control and transaction costs)

Question 3

Explain what problems there are with trying to find a causal link between institutions and economic performance and explain how the literature we have seen has solved this problem

Question 4

Kleptocratics stay in power even though they enact inefficient policies. Explain the two explanations by Acemoglu et al. (2004) and Padro i Miquel (2006) for how they do this.

Question 5

- Define a QALY [10%]
- Give 2 differences between disease burden between high and low income countries [40%]
- What are the 4 main reasons for the different trends in the correlation between GDP per capita and obesity between high-income and low-income countries?