

Practice Problem Set: Economics of Development I

1. Provide a brief description of notion of Malthusian trap. Has the evolution of population growth been monotonic? Present some empirical evidence and discuss Malthusian argument in this context.
2. Discuss the role of technical progress and emergence of emphasis on human capital in connection with modification of Malthusian paradigm.
3. How have different countries performed in catching up with advent of new technological progresses?
4. Provide an argument to explain fall in fertility in different countries in phases of demographic transition? Were there some countries which did not follow the same trend?
5. Present different factors affecting demographic transition as discussed in Galor (2004).
6. Consider dualism as discussed by Lewis et al. Therefore there are two sectors in the economy- traditional/agrarian (A) manufacturing (M). Suppose working in sector M requires a minimum level of education which is not a free commodity. Suppose landless labors in rural area want their kids to attain education and join sector M. Suppose the rural economy has an infinitely elastic supply curve of tenancy labor. Characterize possible equilibrium in above set up. How will the situation change if above supply curve is completely inelastic?
7. Consider the set-up as in Q. 6. Consider a policy of land distribution by the government. Can it act as a big push to move from a self-sustaining dual economy to a growing manufacturing segment in the economy? Is this policy always sufficient to achieve above objective? Provide some historical evidence to discuss above aspects.
8. Consider an economy with labor contracts which enables an entrepreneur to design labor contracts on his sole discretion. What will be the motivation behind differential contract design by an entrepreneur? A contract contains wage payment and tenure of the labor. It is assumed that there are certain works which are costly to be monitored.
9. Consider a sudden rise in population in the economy as considered above. What will be the impacts on the proportions of permanent and casual contracts in the economy?
10. Suppose the economy is of “one-shot” nature, i.e. starts and finishes within single period. The terms of contract however need to be determined ex-ante, i.e. at the beginning. Do you think there will be any impact on the proportion of permanent contracts (i.e. contract over the entire period) compared to the case when there are many periods?
11. In above how does a permanent contract ensure loyalty on the part of labors? How does a successful contract achieve an efficient outcome in this case?
12. How is equilibrium level of population related to the altruistic behavior of different generations? Present main analyses of Barro et al to explain.