

Department of Economics
Queen's University

ECON239: Development Economics

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Assignment #2

Due Date: 4.00pm, Friday October 22, 2010

Section A (40 percent): Briefly discuss the validity of each of the following statements. In your answer define or explain as precisely as possible any terms or concepts which are underlined, with particular reference to the context in which they are being used. The text for each answer should be no longer than a page, but you also should also include diagrams or examples where appropriate. They have equal value.

A1. When it comes to the fundamental determinants of economic development, “geography is destiny”.

A2. The negative correlation between potential settler mortality during the early colonization of some developing countries and current per capita GDP is simply evidence of the persistent effects of disease on those countries and has nothing to do with political, legal or socioeconomic institutions (Hint: read the article from *Economic Intuition* on the 239 web site).

A3. Privatization of land rights is an appropriate response to the so-called “tragedy of the commons” problem.

A4. Redistributive land reforms are unnecessary because land markets should ensure an efficient allocation of land.

Section B (60 percent): Answer the following questions. They all have equal value.

B1. This question requires you to use David Weil’s data plotter. You can use this by following the link "Weil Data Plotter" on the "Useful Links" page of the ECON239 website. In this question, you do not need to print off all the graphs — just describe what you see.

(a) Using the data plotter, create a graph for all countries plotting growth rates of GDP per capita between 1960 and 2000 (Y-axis) against GDP per capita in 1960 (X-axis using a ratio scale). What is the relationship?

(b) Now create a graph showing the same information, but only for countries with over US\$20,000 in 1960. What is the relationship now?

(c) Now create graphs show the same information but for countries in each of the available sub-groups with per capita GDP (1) below \$1250, (2) between \$1250 and \$2500, (3) between \$2500 and \$5000, (4) between \$5000 and \$10,000 and (5) between \$10,000 and \$20,000. Describe the relationship in each case.

(d) Now create two graphs showing (1) the national savings rate in 2000 (Y-axis) and (2) the average years of education in 2000 (Y-axis) each against per capita GDP in 2000 (X-axis, ratio scale). Describe the relationship in each case. (Note: the data plotter does not allow you to plot populations growth. If you did, the relationship would be negative.)

(e) What does this evidence suggest to you about whether there is “conditional convergence” (as predicted by the augmented Solow model) amongst the countries in this data set?

B2. (a) Explain briefly, using diagrams where appropriate, the alternative views of sharecropping espoused by the following schools of thought:

(i) (10%) Developing Planning

(ii) (10%) Chicago school

(iii) (10%) New Institutional

(b) (10%) For each school of thought, what is the implied policy advice for dealing with the inefficiencies associated with sharecropping ? In each case, what would be the consequences of following that advice if the underlying characterization is wrong?

(c) (10%) For each school of thought, what would be the predicted impact on the optimal share in a sharecropping contract of improved access to credit and insurance markets?

B3. Please read the article “The Evolution of the World Bank’s Land Policy: Principles, Experience and Future Challenges” by Deininger and Binswanger, and answer the following questions. Answers may be provided in point-form. The article can be downloaded from the Course Outline page of the ECON239 web site.

(a) How has experience with land reforms challenged the World Bank’s earlier assumptions as reflected in its 1975 Land Reform Policy Paper”?

(b) What advantages do owner-operated farms have over larger operations ? What factors could outweigh these advantages ? Explain.

(c) Summarize the main problems that lead land markets to perform imperfectly. Why are “distress sales” likely to lead to inefficient land allocation ? Why might rental markets be more efficient in some cases ?

(d) Why does the World Bank support redistributive land reform ? What factors are responsible for their common lack of success ?

(e) How has the World Bank’s thinking changed with respect to communal tenure systems ? Explain why.