

UNIVERSITY OF WARWICK

Summer Examinations 2015/16

**Development Economics (Microeconomics)**

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Time Allowed: 1.5 Hours

Answer ONE question from Section A (40 marks) and answer THREE questions from Section B (60 marks). Answer Section A questions in one booklet and Section B questions in a separate booklet.

Read carefully the instructions on the answer book provided and make sure that the particulars required are entered on each answer book. If you answer more questions than are required and do not indicate which answers should be ignored, we will mark the requisite number of answers in the order in which they appear in the answer book(s): answers beyond that number will not be considered.

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**Section A: Answer ONE Question**

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1. (a) What is adverse selection in the credit market? **(10 marks)**  
  
(b) How do Karlan and Zinman (2009) test for it? What do they find? **(10 marks)**  
  
(c) Why is adverse selection more of an issue in developing countries? What can lenders do about it? **(10 marks)**  
  
(d) Can microfinance help develop entrepreneurship in the presence of adverse selection? Why and why not? **(10 marks)**

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(Continued overleaf)

2. (a) According to Anderson and Baland (2002), why do married women join ROSCAs? **(10 marks)**
- (b) How do they test their theory? What do they find? **(10 marks)**
- (c) According to Qian (2008) what is the effect of female empowerment on children education? **(10 marks)**
- (d) Can targeting cash transfers at mothers improve children's education in developing countries? Why and why not? **(10 marks)**

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**Section B: Answer THREE Questions**

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3. (a) Are Schofield's (2015) experimental results consistent with the idea of a nutritional poverty trap? **(10 marks)**
- (b) Why would a developing country government consider paying parents to immunize their own children? **(10 marks)**

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4. (a) How does Duflo (2001) identify the effect of school construction on educational attainment? What assumption does she make? How does she test it? **(10 marks)**
- (b) What are the potential perverse effects of performance pay for teachers as tested by Muralidharan and Sundararaman (2013)? What do they find? **(10 marks)**

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5. (a) Why are the "missing women" from Sen (1990) missing? **(10 marks)**
- (b) Does female representation in politics make a difference? Why and why not? **(10 marks)**

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(Continued overleaf)

6. (a) How can uninsured risk affect farmers' production decisions? **(10 marks)**
- (b) According to Karlan et al. (2013), why is trust important for the take up of rainfall insurance? **(10 marks)**

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7. (a) According to Dalton, Ghosal and Mani (2013), how can aspirations create a poverty trap? **(10 marks)**
- (b) What are the potential channels through which poverty impedes cognitive functions? **(10 marks)**
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(End)