

Seminar 5

ECON 4915, Spring 2019

1. Productivity, measured as ability to work, can be a function of income. (Read: Ch 8 in Ray)
 - a. Give a critical assessment of the micro foundation for a relationship like this.
 - b. What are possible implications for the labor market in developing countries?
 - c. What are the difference between incentive-based efficiency wages and nutrition-based efficiency wages?
 - d. What is a poverty line? Can we use a relationship between ability to work and income to define poverty lines? How would you do that?

2. If redistribution of assets (like land) can raise productivity and total production, why cannot developing countries obtain these productivity increases by market transactions with willing sellers and willing buyers?
 - a. How would you answer this intriguing question?
 - b. Discuss the implicit claim in the question – and try to give examples of when it is potentially true and not.
 - c. Do your reasoning have implications for the distribution of resources across countries?

3. Why can it be problematic for a poor country to be rich in resources?
 - a. What are possible problems – and what are possible gains?
 - b. How would you measure the level of resource abundance in a developing country?
 - c. Give examples of developing countries with abundant resources – and try to explain possible implications of their resources, for instance Nigeria, Angola, Botswana, US, Iceland, Norway and Venezuela.
 - d. How would you define grabber friendly and producer friendly institutions? (Look up: Doing business published by the World Bank).
 - e. Consider Transparency International Index ranking of corrupt countries: Are the most resource rich countries among the most corrupt countries on the Index?