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Development Economics

Homework 3

Due: 01.03.2019

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Question 1 - Consumption Insurance Tests

1- As can be seen from Figure I & Figure 2, the mean and median of beta is close to zero. (Mean = 0.046 and Median = 0.042). So, we can say that there is a risk sharing. However, it seems that there is no "full" risk sharing in that case. For phi, it is little bit different. We have the mean of -1.24 and the median of -5.91. When we look at the Figure II, it doesn't look like symmetric.

Coefficient	Mean	Median
Beta	0.046	0.042
Phi	-1.24	-5.91

Table I: Beta Mean and Median Values

2- (a) It seems that the median value of beta is increasing, as income increases but this pattern is not that clear. For the mean, it is clear that the ones that are in the middle of income distribution are the ones that are more insured.

Quintile	Mean	Median
1	-0.17	0.02
2	0.037	0.038
3	0.799	0.045
4	0.060	0.050
5	-0.189	0.049

Table II: Beta Mean and Median Values for Each Income Quintiles

(b) No data available as of now.

(c) It is kind of similar to the previous case that we have found in part (a). There is no clear pattern in terms of mean and median values as can be seen in Table II.

Quintile	Mean	Median
1	7.36	7.60
2	7.05	7.40

3	7.20	7.51
4	7.44	7.61
5	7.13	7.62

Table III: Income Mean and Median Values for Each Beta Quintiles

Quintile		
1		
2		
3		
4		
5		

3) Here we assume that the coefficients are the same across households, so when we look at the figure below, beta seems significant at 0.001 (t value 30.15) and phi is also statistically significant at 0.00 (t value is -9.22). Therefore from this figure below, we can conclude that there is some insurance but it is not a full insurance.

D.res_ci	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
res_inci						
D1.	.0553765	.0018368	30.15	0.000	.0517762	.0589768
agg_c						
D1.	-1.93e-06	2.09e-07	-9.22	0.000	-2.34e-06	-1.52e-06

Figures To be Completeddd

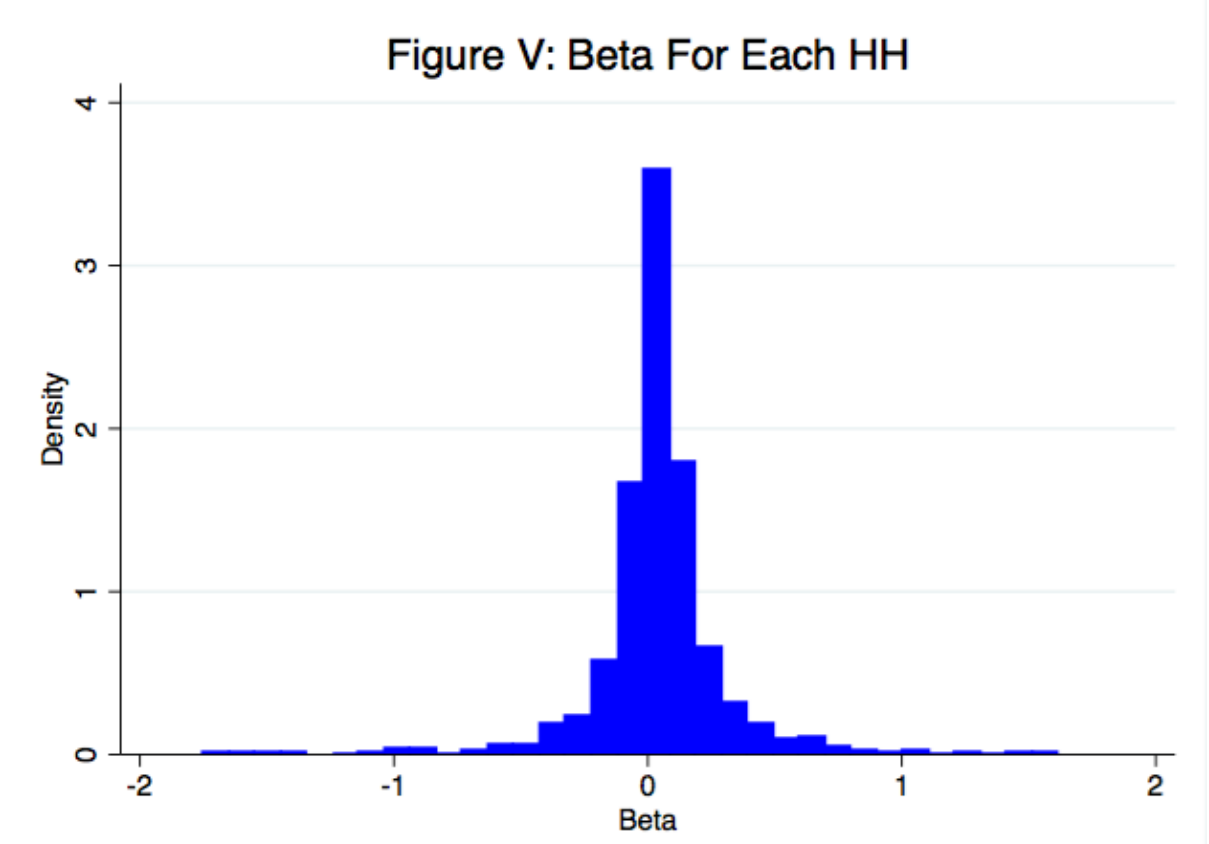
Figure V: Beta For Each HH
Density
0
1
2
3
4
-2
-1
0
1
2
Beta

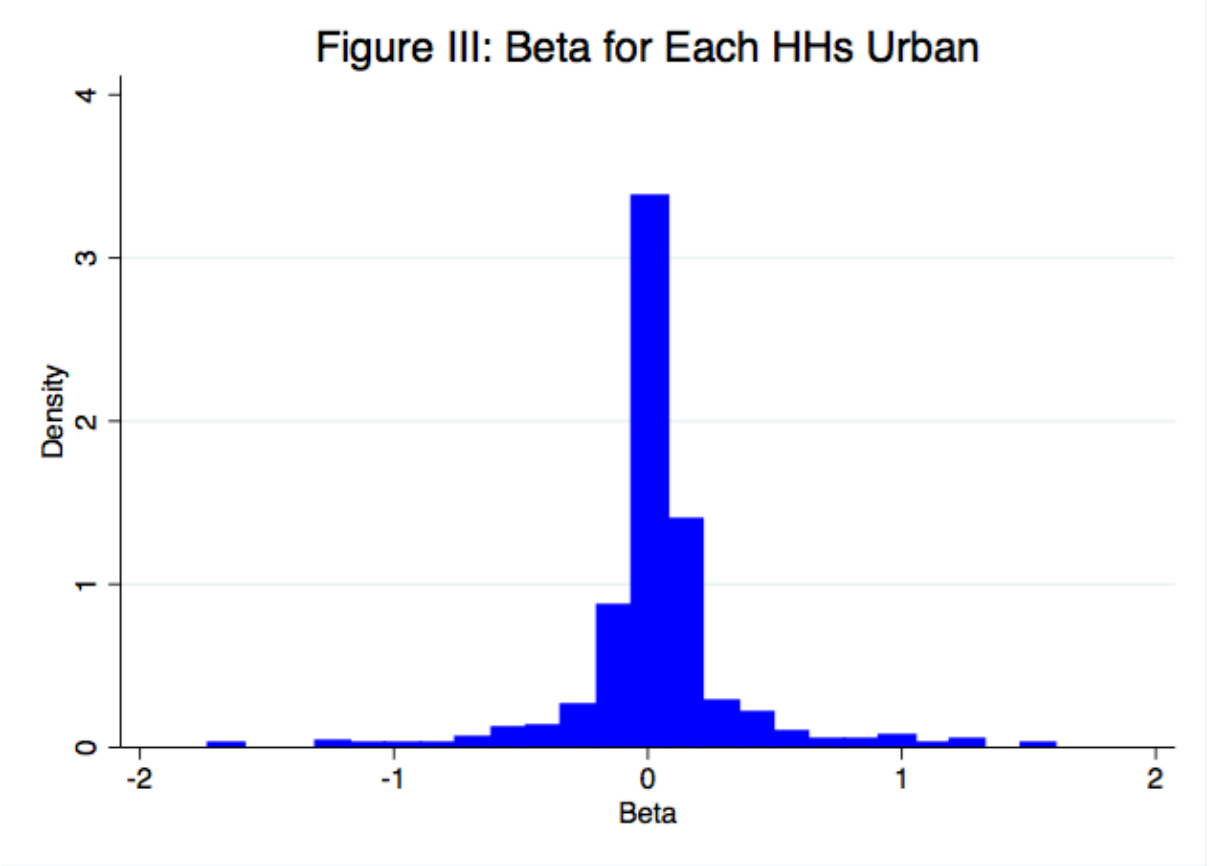
Figure III: Beta for Each HHs Urban
Density
0
1
2
3
4
-2
-1
0
1
2
Beta

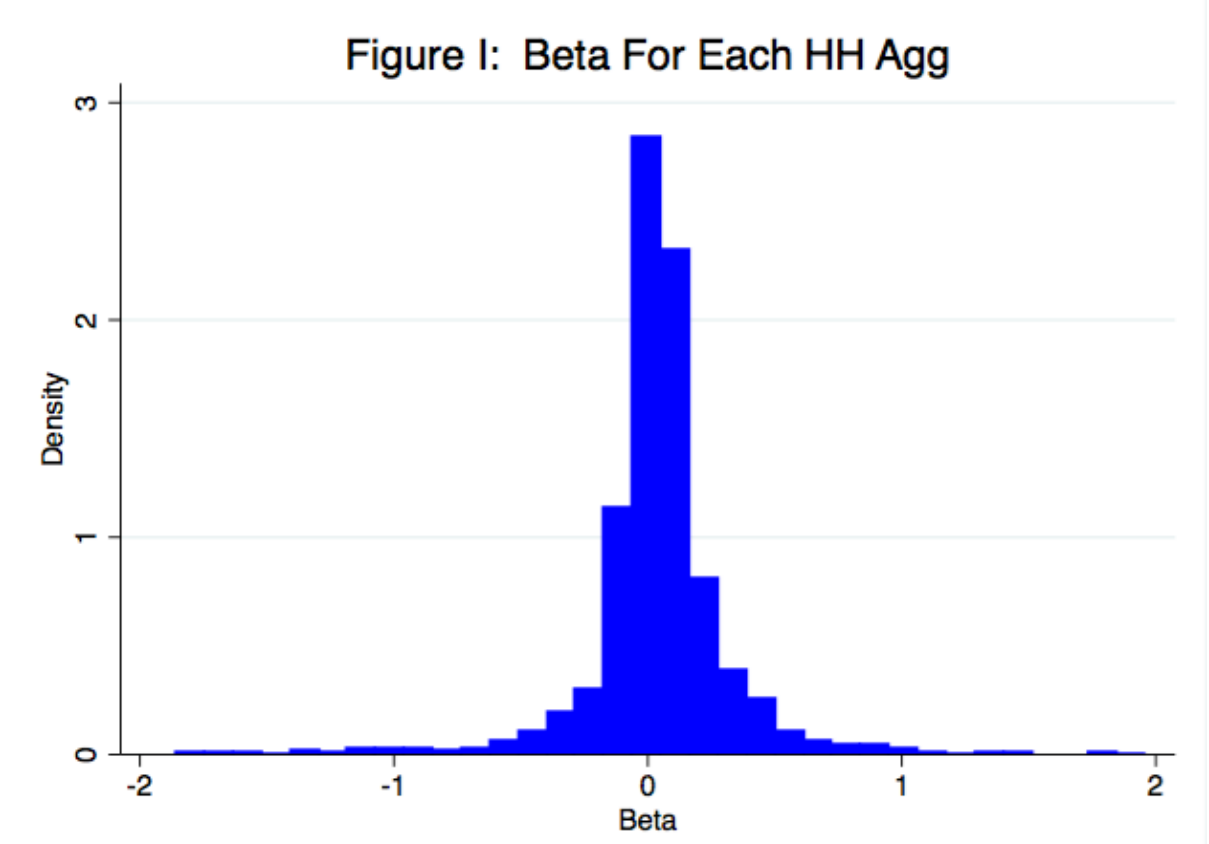
Figure I: Beta For Each HH Agg
Density
0
1
2
3
-2
-1
0
1
2
Beta

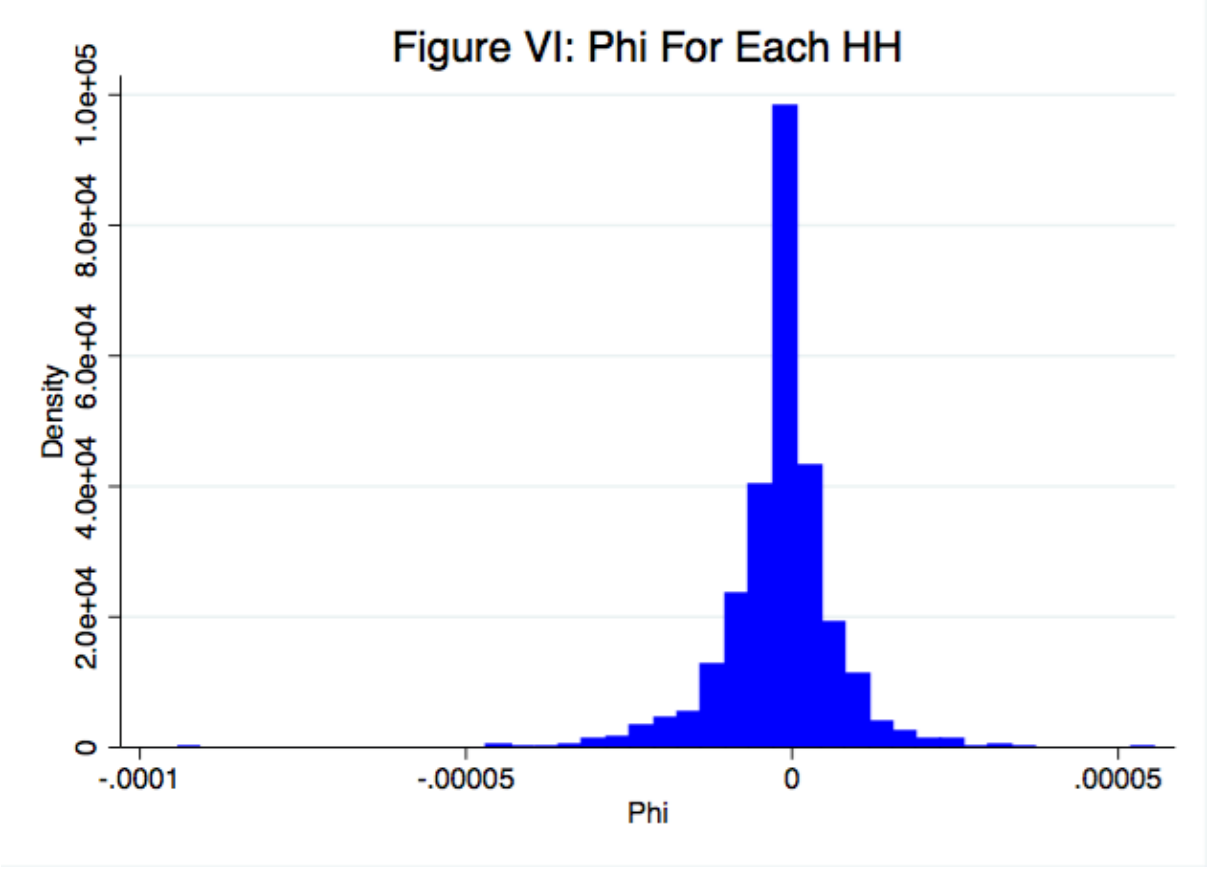
Figure VI: Phi For Each HH
Density
0
2.0e+04
4.0e+04
6.0e+04
8.0e+04
1.0e+05
-.0001
-.00005
0
.00005
Phi

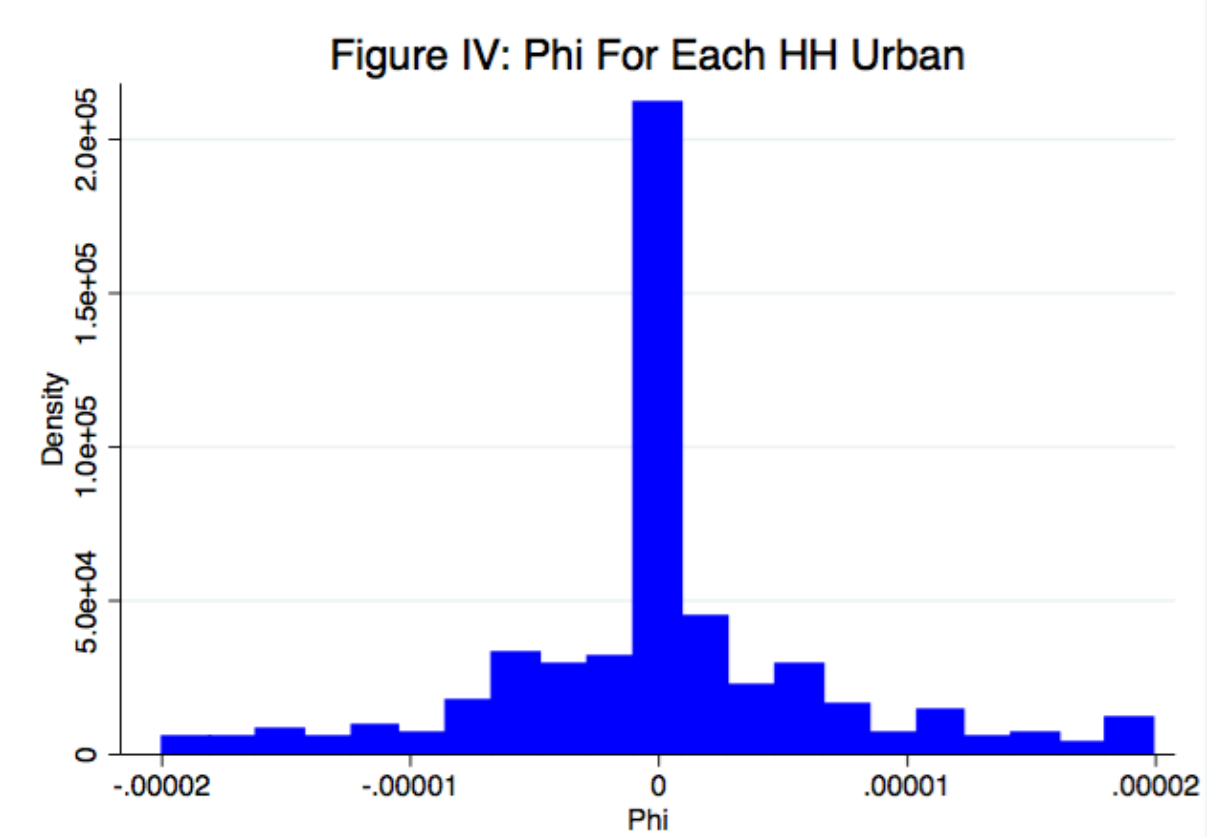
Figure IV: Phi For Each HH Urban
Density
0
5.0e+04
1.0e+05
1.5e+05
2.0e+05
-.00002
-.00001
0
.00001
.00002
Phi

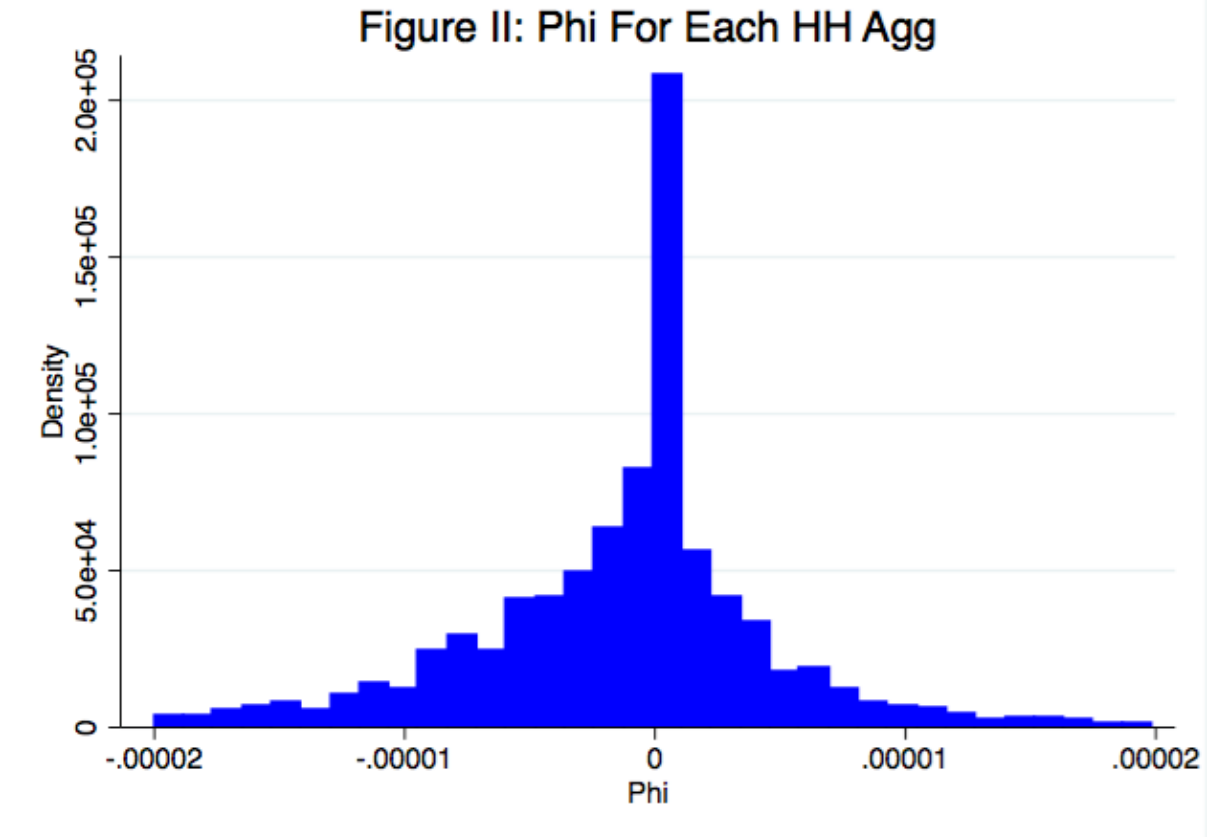
Figure II: Phi For Each HH Agg
Density
0
5.0e+04
1.0e+05
1.5e+05
2.0e+05
-.00002
-.00001
0
.00001
.00002
Phi