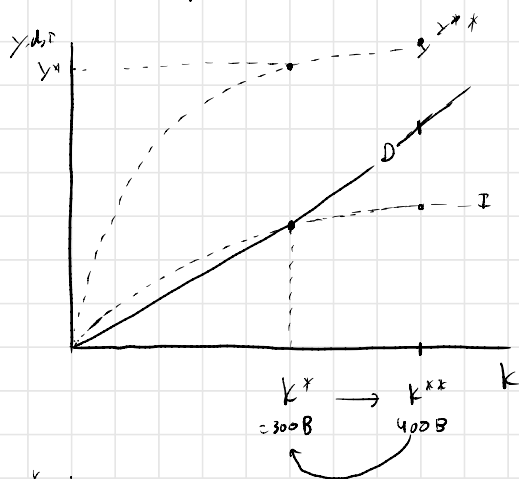


Feb-24:

Practice Problem:



- One time emergency aid doesn't help long-term living standard
- However, aid in real life does affect \bar{A}

Aid views:

- Big push: aid beats poverty trap
 - Jeffrey Sachs (bleh)

- AJR:

- Bad institutions are problem
- aid won't improve fundamentals w/o better institutions

How aid can reduce conflict

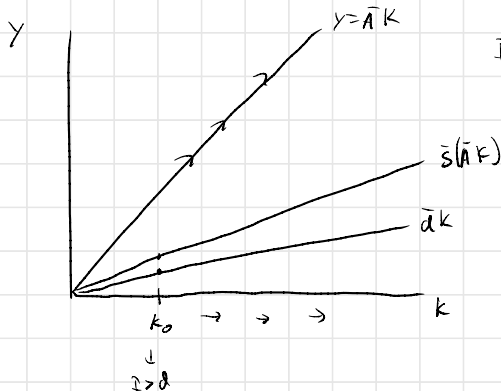
- wealth shock \rightarrow poverty \rightarrow violence
- technique: instrumental variables
- solution: income insurance
- success: Botswana

Increase human capital:

- schooling \rightarrow human capital \rightarrow greater growth
- technique: randomized controlled trials
- Kenya: randomly assigned schools, awards given to top 20% of girls

A variation of the Solow model:

$$Y = \bar{A} K^\alpha$$



$$\bar{I} = \bar{s}Y$$

No diminishing returns \rightarrow
continued growth