18. Kuznet

* Motivation

The character and cause of long-term changes in personal distribution of income.

Group members who enter in or our of the group needs to mention

Consider at least two generation, target one and their children

People react to long-term change in income levels and shares?

* Theory, model

Secular structure of personal income distribution

Drive of increasing inequality: concentration of savings in the upper-income brackets.

Counteract: legislative interference and political decisions. Family control first arrive in high income family. Old industries’ profit drops as new industries rise.

Increasing share of urban population means in an increasing share for the more unequal part of population. And difference between rural and urban population tends to widen. Less higher income opportunities for already high income group.

* Evidence

United States, England and Germany, income moving toward equality.

Not including government contribution, and after tax income and including government contribution will result in greater narrowing

Real income rises significantly, lower income level rises with more rapid rate.

Earlier distribution may be more affected by disturbances, thus the real reduction in inequality is smaller.

Undeveloped countries have lower income per capita, lower growth rate and bigger inequality.

* Policy implication
* Critique

19. Forbes

* Motivation

Challenges the current belief that income inequality has a negative correlation with economic growth.

Asian growth with low inequality but Latin American high.

Negative relationship depends on exogenous factors, e.g. aggregate wealth, political institutions, or level of development. Some predicts multiple equilibria. Nonrobust. Measurement error.

How a change in inequality could affect growth.

* Theory, model

Improved data set with less measurement error and using panel data.

Generalized moment method

A Hausman specification test can evaluate whether the explanatory variables are exogenous.

* Evidence

Rejects the assumption for random effects as well as exogeneity of explanatory variables.

Short run positive relationship and long run negative relationship in five years panel.

May not apply to poor countries due to limited data.

How changes in inequality are related to changes in growth within a given country.

country-specific, time-invariant, omitted variables generate a significant negative bias in the estimated inequality coefficient. For example, higher level of corruption, higher share of government spending on basic health care and education, better public education.

* Policy implication
* Critique

Samples selection, endogeneity, serial correlation, measurement error, not controlled for time-variant variables. Did not investigate how variables are interconnected. Unbalanced panel.

20. Udry 1996

* Motivation

All models of the household assume the allocation of resources is Pareto efficient. But many African households controlled by women are farmed less intensively than by men.

* Theory, model

Cooperative bargaining model assume the Pareto efficiency.

Household engaged in a long-term stable relationship with good information about each other.

Previous literature reject the unitary model, but not Pareto efficiency.

Conditional on plot size (and, of course, land quality), are yields equal on plots planted with the same crop in the same year but controlled by different members of a household?

* Evidence

On average, women achieve much higher values of output per hectare than men, on much smaller plots. The higher yields achieved on plots controlled by women reflect, at least in part, the different crops grown by men and women.

The marginal product of land controlled by woman is less than men. A reallocation of land from a woman to man could increase total output.

Husband could offer a financial asset the yields a return equivalent to the return from the land. But imperfect rental market and labor market prevents this. Lands require labor to input.

Long term rental market is lacked due to claim over the plot gradually diminished until the land is under the control of the borrower.

Across households:

Absence of labor transaction is because moral hazard.

Both men and women care more about output on their own plots.

Within households:

The broad conclusion of this literature is that it is not possible for a woman to hire her husband and that there are significant transaction costs associated with men hiring their wives

Household public goods and altruism contribute to the smaller dispersion in input intensity within household than across households.

* Policy implication

Allocation of resources across productive units is not Pareto efficient.

* Critique

21. Kremer and Miguel. Worm 2004

* Motivation

Previous literature shows no evidence of educational benefits of deworming. These studies fail to account for potential externalities for the comparison group from reduced disease transmission. Outcome between treatment and comparison groups will understate the benefits of treatment on the treat group.

Poorest countries should accord priority to deworming depends on the educational impact of deworming.

* Theory, model

Randomization took place at the school level. So the externalities among pupils within the school.

Identify cross-school externalities using exogenous variation in the local density of treatment school pupils generated by the school-level randomization.

Local population density may affect disease transmission, and children who in school near treatment schools could have lower exposure to worms.

Given the total number of children attending primary school within a certain distance from the school, the number of these attending schools assigned to treatment is exogenous and random, so coefficient of local school density captures across school externalities.

* Evidence

Large deworming treatment externalities both on health and participation rate.

* Policy implication

Deworming is more cost-effective than alternative methods of increasing school participation.

Internalizing these externalities would require not only subsidizing but paying people to receive treatment.

* Critique

22. Corden Dutch Disease p5

* Motivation

Adverse effects on Dutch manufacturing of the natural gas discoveries through the subsequent appreciation of Dutch real exchange rate.

* Theory, model

Booming sector, lagging sector and non-tradeable sector. Income increase will have spending effect results in a real appreciation of non-tradable sector. In addition, there is resource movement effect that more labor flow into booming sector from two other sectors. SO lagging sector output drops, and even worse, more labor flow from L to N due to the excessive demand for N.

Both effects lower the real rents in L, and raise wage in term of L, but price of N also increases so real wage is ambiguous.

In case of oil industry, there is only spending effect and real appreciation.

* Evidence
* Policy implication
* Critique

la Porta and Shleifer 2014 Informality and Development

* Motivation

Some view informal firms is held back by government regulations, some view informal firms gain advantages from avoiding taxes and regulations, competing unfairly with law-abiding formal firms. Some view informality a byproduct of poverty. Increase in firm value by operating formally is too small, and development comes from formal firms.

* Theory, model

Informal economy is huge. Low productivity. Avoidance of taxes and regulations is crucial. Lowering registration cost does not help, access to finance is the biggest problem. Informal economy is isolated and hard to become formal. It shrinks as countries grow.

Dual view of informality.

When economy is poor, small demand cannot afford the fixed costs of formal firm. In this case, formal sector remains small and offers high-quality goods only to a small population of formal workers.

Lack of entrepreneurial and management skills.

Government’s lack of public good due to lack of tax may play a role in separating the formal and informal economies.

* Evidence

Regression of self-employment on GDP per capita and labor force

In Peru case, economy is driven by formal economy, which absorbs labor mostly from new generation. This explain why formal share is not increasing while economy growth.

* Policy implication

Simplification of registration may be good, but tax and regulation is going to drive informal firms out of business.

Educated Entrepreneur is the main reason that kick out informal firms. So immigration, education and training to improve supply of entrepreneurs is important.

* Critique

Frazer Which firms die

* Motivation

African governments are blamed for an environment where markets do not function efficiently.

Explore the nature of firm exit among manufacturing firms in Ghana to test whether less productive firms are more to exit.

* Theory, model

How to measure productivity. It is often measured as a simple residual from regression of firm output on the capital and labor inputs, total factor productivity. New technology suggests use firm investment and use of intermediate inputs as proxy for productivity. But collinearity is a big problem. Measurement of labor cannot reflect the human capital.

* Evidence

Firm productivity has been measured carefully, controlling for simultaneity in the production function as well as capturing heterogeneity of a firm’s labor, including the education and experience of the workforce. Firms exit the market are found to be less productive. Capital intensive firms are more likely to exit. Older firms are less likely. State-owned firms are more likely to exit because government freeing itself of firms that it had seized from private owners but could not sell because of a lack of title.

* Policy implication

Ghana is not a representative.

* Critique

Atiken and Harrison FDI

* Motivation

To what extent do joint ventures or foreign firms exhibit higher level of productivity.

IS there any technology spillover effect?

* Theory, model
* Evidence

Foreign equity participation is positively correlated with plant productivity, only robust for small enterprises less than 50 employees

Foreign investment negatively affects the productivity of domestically owned plants, due to market stealing effect.

Multinational firms tend to locate in more productive sectors and to invest in more productive plants.

The gain from FDI appear to be captured by joint ventures mostly

Net benefits from foreign ownership is quite small.

* Policy implication

Level of Venezuela FDI may be too low to be effective. Economy is not developed or diversifies to receive benefits. Ignore potential gains such as increased employment and inflows of capital. Long term effects of FDI when negative effect is transitory but positive effect are permanent. FDI increase stock of human capital.

* Critique