

Question

- a) Discuss the relative merits of using compensating variation and equivalent variation as in Jones and Klenow to compare welfare differences between countries. Explain carefully why the scaling factor in life expectancy differs between the two.
- b) Explain the rationale for a geometric average of the two.
- c) Compare and contrast the difficulties of estimating welfare and growth using
 - i. data on night lights
 - ii. the Jones and Klenow measure.

Readings

Jones, C.I. and Klenow, P., (2010). "Beyond GDP? Welfare across Countries and Time." NBER Working Paper No. 16352. <http://www.nber.org/papers/w16352.pdf>

Henderson, V., Storeygard, A. And Weil, D., (2012). "Measuring economic growth from outer space." American Economic Review, 102(2): 994-1028