Question

1. Are the consumption and investment decisions made by agents in the developing countries sub-optimal? Discuss from both the micro and macro perspective using evidence from the readings below.

Readings

Udry, C. (1996). Efficiency and Market Structure: Testing for Profit Maximization in African Agriculture. Working Paper, Yale Link

Udry, C., (2010). The Economics of Agriculture in Africa: Notes Toward a Research Program. Link

Banerjee, A. and Mullainathan, S.(2009). The Shape of Temptation: Implications for the Economic Lives of the Poor. Link

Mullainathan, S. ,(2007). Psychology and Development Economics. In Diamond P, Vartiainen H., Yrjö Jahnsson Foundation's 50th Anniversary Conference on Economic Institutions and Behavioral Economics. Princeton University Press. Link

Bloom, N, Eifert, B, Mahajan, A, McKenzie, D, and Roberts, J., (2012). Does Management Matter? Evidence from India. The Quarterly Journal of Economics, 128, 151.

Bloom, N, Mahajan, A, McKenzie, D and J Robert. (2010), Why do firms in developing countries have low productivity. American Economic Review papers and proceedings, 100:2, 619623.

Hsieh, C., and P. Klenow., (2009). Misallocation and Manufacturing TFP in China and India. The Quarterly Journal of Economics, Vol. CXXIV,4.

Bloom, N, and J Van Reenen. (2010), Why do management practices differ across firms and countries. Journal of Economic Perspectives, 24(1).

Banerjee, A. and Duflo, E. (2000). Reputation Effects And The Limits Of Contracting: A Study Of The Indian Software Industry. Quarterly Journal of Economics, 115(3):989-1017.

Levine, R. (1997). Financial Development and Economic Growth: Views and Agenda. Journal of Economic Literature, 35(2), 688-726.