

General comments

After having corrected 77 term papers, I have the following remarks:

1. My main concern with the papers overall is that they often lack critical thought. Remember to question the theories and empirical material you come across. Perhaps you can't prove it wrong, but you can question it. Academia is perhaps the most important institution in society to develop critical thought, and our complex society undeniably needs this. So don't be afraid of being a bit hard with the arguments you encounter. However, don't compromise too much with precision in your arguments. Often "the devil is in the detail"...
2. Many of you write about saving rates in question 2. This is a powerful argument. However, rather than just accepting that the marginal saving rate is convex or concave, s-shaped or a straight line, you could ask yourselves WHY the marginal saving rate is as it is. Does the state give specific incentives for some groups to save more than others? Also, what are the saving possibilities? Just to take an example, you could imagine a very high import tax on all luxurious goods. This would most probably decrease the expenditure on luxury goods by rich people and hence, they would probably save more. Another example is that the very poor aren't just denied credit in banks. They are often also denied to save, because the amounts are too small. They might still put some money in the madras (exposed to inflation) or perhaps buy some gold. Or they might avoid saving... Lastly, you talk about middle class and saving rates, but fail to mention how a middle class emerges. How is the creation of a middle class connected with economic structures in the society and what is produced? All this might seem a bit beyond the scope of this course, and it is. Nevertheless, I invite you to think beyond just what the textbook delivers.
3. Many of you answer question 3 with clear references to the Energmann and Sokoloff article. However, what you write is more of a summary of the literature than a critical discussion. When I hand out the term papers, I'll suggest a few ways of criticizing this article, for your inspiration.
4. Remember to be precise in your arguments and in your written language. Too often I got the feeling you wrote your answer without even reading through it when you were done. Write clear-cut arguments and be concise. In particular, many of the answers written in Norwegian lacked conscious terminology and had an imprecise and unclear written language. Work on this...
5. For the rest, I must say there were many interesting thoughts around.

Good luck with exams!

Specific comments

A-comments (comments for specific questions)

A 1.1

It could be problematic to use income as measurement when we look at inequality for the following reasons:

- Fluctuations throughout a year (seasonal variations for farmers etc)
- Fluctuations over life time, so all of the sudden age composition matters
- Production that is consumed directly and thus not captured as income
- Unregistered income from informal sector

The alternatives could be to look at factor ownership (capital wealth or land ownership) or consumption. However, these measures are also problematic. For further discussion, look in the Ray textbook.

A 1.2

Your answer lists up or defines various ways of measuring inequality (such as Gini coefficient, Lorenzcurve, Kuznet's ratio etc), but they could be discussed a bit more. That is, WHY do you choose the measure you choose? Advantages? / disadvantages?

A 1.3

You could focus more on DATA. What is the unit measured? Households or individuals? Why would you choose what you choose (advantages/disadvantages). Other aspects of data could also be emphasized (look at A 1.1)

A 1.4

The Lorenz curve and the Gini coefficient are certainly related. But how? Remember that many Lorenz curves can have the same Gini coefficient, but a Lorenz curve can only have ONE Gini coefficient. Therefore, the Lorenz curve gives MORE INFORMATION than the Gini coefficient, but this information is not numerical. It's graphical. Therefore one cannot say that Lorenz curves are graphic representations of Gini coefficient, or that the Gini coefficient gives more information.

A 2.1

Be aware of which factors are influencing what. A correlation does not mean a causal relationship.

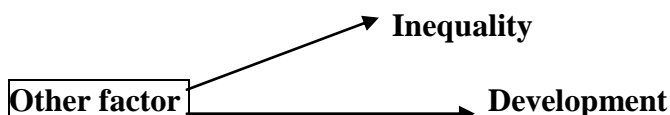
The question asks for this:

Inequality → (Mechanisms) → Development

Not this:

Development → (Mechanisms) → Inequality

Nor this:



A 2.2

Your answer discusses credit accessibility and the credit market. This is an important element in development economics, as investments are a key component for growth, and the credit market potentially can reallocate capital from creditor to the most efficient investor.

Furthermore, many of you specifically emphasize the importance of micro credit and credit accessibility for the poor. Undoubtedly, micro-credits are important in the fight against poverty. However, I would like to remind you of the difference between top-down and bottom-up approaches to development. Micro-credits and credit to the poor are obviously connected with a bottom-up approach, and there are certain aspects of development this approach hardly permits. For instance, industrialization relies on huge investments – a distinctly diverse dimension than what micro-credits are about. These big investments require a few strong capitalists, possibly with an intimate connection to the state. This is not to say, micro credits are useless. But perhaps they target poverty alleviation more than sustained development. Most examples of miraculous growth in the 20th century based its growth on “big business” and industrialization. And if industry were to be the “answer”, how many capitalists do you really need? How many need to access the pool of capital in a country? Read about Alice Amsden's term: “Picking Winners”.

This is not to say micro-credits are useless. But they must be seen in connection with the current development trend, which focuses on poverty alleviation and targeting the poor rather than structural transformation of the economy.

A 2.3

In answering this exercise it could be useful (ALTHOUGH NOT NECESSARY) to refer to the Kuznets curve, and some of its critiques.

A 2.4

On page 221 in the Ray textbook, you will find a regression that suggests a negative relationship between inequality and growth. Perhaps more importantly it shows an even clearer negative relationship between LandGini (inequality in land ownership) and growth. This point should not be neglected. Also, we know that the growth giants of the 20th century, South Korea and Taiwan, both had land reforms a decade or so before really kicking off in terms of economic development.

Why is this? There are several reasons. Cristobal Kay has written an excellent article on this. I have nothing to add to his analysis. Read it!

Why East Asia overtook Latin America: agrarian reform, industrialisation and development Third World Quarterly, Vol 23, No 6, pp 1073–1102, 2002

[http://www.alasru.org/textos/Kay-TWQ23\(6\)2002.pdf](http://www.alasru.org/textos/Kay-TWQ23(6)2002.pdf)

A 2.5

You make it quite clear that inequality is self-propelled. That is, inequality reproduces itself. Remember to make it clear how inequality affects growth as the question asks.

A 3.1

What you write is more a summary of the literature than a critical discussion. Put down some more question marks... Doesn't have to be original research, just a critical discussion.

A 3.2

Question three asks you to explore the empirical aspects of the mechanisms presented in question 3. More empirical material should be present, possibly both statistical material and historical. More than one source is preferential. Use this material to critically discuss your findings in question 2.

B-comments (comments that go for your paper as a whole)

B 1

The three questions in the paper are intimately connected. Make sure to follow up on your own arguments from previous questions. Specifically this is demanded in question 3, which explicitly asks you to test the hypotheses/theories made in question 2. In this way, the term paper almost seduces you into a hypothetical deductive methodology, which is fundamental for academic research.

B 2

Do you agree with what the book tells you? Why? Why not? You are welcome to be more critical. Show clearly that you understand the model or theory. But then you can put up question marks. Let me remind you that critical thought is the most fundamental quality academia asks for (or should ask for)! Academia is one of the castles of critical thought in society (perhaps together with art and media) Without critical thought...

B 3
References are missing. Put references within the text (preferably Chicago-style. Look it up...) and then, write bibliography at the end of your paper. Especially, you should write references when you use data, hard facts and citations, but also when you “borrow” someone’s idea, you should put up reference. At LSE, you would get excluded from school if you didn’t put up reference. It is considered theft of ideas...

C-comments (formalistic suggestions)

C 1
It is sometimes a bit difficult to understand your arguments, because your written English is a bit shaky. It could be to your own convenience to practice your written language. However, we all have different backgrounds and points of departure when it comes to language, and I admire those of you who work hard with learning a language along with your studies. Good luck.

C 2
Use 1.5 or more paragraph space.

C 3
Start by saying HOW you are going to answer your question. Just in a few lines. Also, make sure to conclude properly. Put your argument in a nice frame.

C4
Be concise.
Selective too.
Clear-cut arguments.