

ECON 4915 – Development Economics

Spring 2011

Seminar 1

Question 1

Define fixed rent contract, sharecropping and pure wage contract.

Discuss relative efficiency of different contracts in terms of incentive provision for tenant's input supply and risk sharing.

A suitable combination of fixed rent contract and pure wage contract can always dominate sharecropping contract - Do you agree or disagree? Provide economic arguments supporting your claim.

Exercise Q6 from Ray chapter 12.

Question 2

Consider *Empowerment and Efficiency - Tenancy Reform in West Bengal* by Banerjee, Gerter and Ghatak's (JPE 2002) (later referred as BGG).

Discuss the potential implication of an increase in the security of tenure on productivity. Base your argument on the relations a) between security of tenure and threat of eviction and b) between security of tenure and investment incentive, and their consequences on productivity. (You do not have to introduce any model here, a precise descriptive argument will be sufficient).

BGG supports the theoretical conjectures comparing district level data from Bangladesh (control group) and West Bengal (treatment group). An implicit assumption here is that the treatment group would perform exactly the same way as the control group if there had been no reform intervention. Discuss possible reasons why this assumption could be violated. What evidence did they provide to support this assumption?

Briefly discuss their main findings.