

ECON 4915 – Development Economics

Spring 2011

Seminar 5

(This is the current version of seminar 5 questions. *Updated on March 30, 2011*)

Question 1

Discuss how parasitic activities may generate a poverty trap. What may cause an economy to move in or out of such a trap?

Question 2

Consider the "model of investment in infrastructure" in Murphy, Shleifer and Vishny (1989).

- (a) Explain how and why an infrastructure might not get build even it is socially efficient to build?
- (b) Do you see any normative role for a social planner or government in this respect?

Tuesday's (Apr 05) seminar: **A3** will review Question 1, and **A4** will review Question 2.

Wednesday's (Apr 06) seminar: **B3** will review Question 1, and **B4** will review Question 2.