**Seminar 5**

1. The Classical approach to inequality and development assumes an increasing marginal savings rate. Argue for the possibility that the marginal savings rate is increasing at low levels of income but decreasing at higher levels of income. How does inequality affect savings in a poor and a rich economy respectively?
2. Argue for the following possibilities:

- Inequality may lead to lower growth

- Inequality may be beneficial for growth

- Inequality may be beneficial for growth in early stages of development, but may be harmful for growth at later stages development

Use examples or diagrams to illustrate

1. Derive the expressions for the steady-state levels bu, bs and the threshold level g. Show that in the long run, GNP is higher the lower this threshold level. How does GNP depend on the parameters in the model?
2. Qian (2008) tests if there are economic incentives for parents to prefer girls/boys.
3. How does she test this? What empirical strategies are used? Are the strategies credible?
4. Do her results necessarily imply that parents’ have more girls when girls are more profitable? What is the additional piece of evidence that she uses to argue that last point?