

Seminar 3: Population Issues

ECON 4915, Spring 2014, Martin Flatø

Question 1

Base your answer on the economic arguments developed in Harris-Todaro model of migration, which is discussed in class.

- a. Consider two countries, A and B. These two countries are identical in every aspect (such as population size, production function in two sectors, level of ‘sticky’ wage in the formal industrial sector etc.) except their risk preferences. We assume that citizens of country A are risk averse where as citizens of country B are risk neutral. Do you think that the wage gap (defined as wage in the formal industrial sector – the wage in the agricultural sector) in country B is expected to be more than the wage gap in country A?
- b. Now consider the same framework as in (a), and we will also assume that both countries are equally risk averse. However, a researcher finds stronger evidence of village level mutual insurance in country B than in country A. Do you think that the wage gap in country B is expected to be more than the wage gap in country A?
- c. Ray Chapter 10. Exercise 8.

Question 2

Use Ray chapter 13.1-13.4 (and possibly 8), Fortson (2011) and Harttgen et al., (2013) to answer this question. Review and discuss the evidence in each sub-question based on both economic theory and empirical findings.

- a. How does health outcomes affect opportunities for economic growth, and how does economic growth affect health outcomes?
- b. How does (i) the distribution of wealth in terms of land and assets and (ii) the investment horizon affect the relationships described above?