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14.771 Development Economics: Microeconomic Issues and Policy Models  
Fall 2008

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**Development Economics**  
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**Questions on Required Reading #9: Banerjee, Gertler and Ghatak (2002)**

Read in details the paper on Operation Barga. The following questions will help you make sure you are following the authors' argument and the econometric methods that were used in it.

- 1) Operation Barga limited the capacity of landlords to expropriate their tenants.
  - a. What are the positive effects of such a measure?
  - b. What are the potential problems linked with that program?
  - c. Assume we observe a change in the form of contracts after the Operation. Does it mean that we have reduced the welfare of agents? If granting tenure to tenants is optimal, why is it that we did not observe it in the unconstrained case?
  
- 2) What is the relationship between effort ( $e$ ) and the outside option ( $m$ ) and the wealth level ( $w$ ) in the model without any eviction threat? What would this mean for any rural "welfare" program where money and/or food is given? Also, what type of tenant would a landlord prefer? Explain this counter-intuitive result.
  
- 3) Why is it that if the limited liability constraint does not bind, the threat of eviction has no effect? Would this mean that if we are in this case, a more radical land reform program such as land redistribution to the tenants would also be ineffective?
  
- 4) Let's look at the empirical strategy.
  - a. What evidence do the authors provide to argue the validity of their Diff-and-Diff strategy using Bangladesh as a control? What other evidences would you have liked to obtain in order to further justify this?
  - b. What should we conclude from the results in Table 4?
  - c. What are the problems linked to using the share of tenants registered through Operation Barga as a measure of the intensity of the program? How can this be dealt with? What do the authors do about it?
  - d. Could Operation Barga have affected the productivity of land through other channels than the ones identified here? How could you test for this?