

1. Summarize the empirical evidence (discussed in lecture) that cortisone levels influence decisionmaking abilities. Do you think high levels of stress resulting from risky income streams are a plausible explanation for differences in economic prosperity across countries or regions within countries? Why or why not?
2. How would we expect the presence or absence of banks in poor villages to influence how much wages respond to productivity shocks? Based on this evidence, why might landowners lack incentives to expand financial institutions in their village?
3. Briefly describe the index-based livestock insurance program in Mongolia, outlined here: http://www.worldresourcesreport.org/files/wrr/WRR%20Case%20Study_Index%20Based%20Livestock%20Insurance%20in%20Mongolia_4.pdf Discuss its advantages and disadvantages relative to traditional indemnity-based private insurance.