

**Essays on Smallholder Diversification, Industry Location,
Debt Relief, and Disability and Utility**

av

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AKADEMISK AVHANDLING

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Abstract

Essay 1 Smallholder Income Diversification in Zambia: The Way Out of Poverty?

This paper investigates the relationship between income diversification (combinations of farm income, agricultural wage work, non-agricultural wage work, and own-business income) and income within Zambian smallholder households. Shifting to a higher degree of diversification is found to be associated with getting higher income per laborer. Households in more diversified and urbanized environments are found to be able to diversify more easily. Education opens up opportunities for nonagricultural wage work and, to a smaller extent, to own-business. Diversification into agricultural wage work depends on land shortage, which suggests that it is partly a distress diversification. Households with more market-oriented agricultural production are more likely than others to diversify into business but less likely to enter agricultural wage work. Female-headed households are less likely than others to combine farm income with non-farm wage work. Land, educational, gender and province influence income not only indirectly via choice of activity combination but also directly.

Essay 2 What Explains the International Location of Industry? –The Case of Clothing

The clothing sector has been a driver of diversification and growth for countries that have graduated into middle income. Using a partial adjustment panel data model for 61 countries 1975-2000, we investigate the global international location of clothing production by using a combination of variables suggested by the Heckscher-Ohlin theory and the New Economic Geography (NEG) theory. Our Blundell-Bond system estimator results confirm that the NEG variables do help explain the location of the clothing industry, and point to that convergence is not as inevitable as sometimes assumed. We find that closeness to various intermediates such as low-cost labor and textile production has strong effects on output. Factor endowments and closeness to the world market have inverted U-shaped effects. This is expected since above a certain level several other sectors benefit even more from closeness and factor endowments, driving resources away from the clothing industry.

Essay 3 Debt Relief and Adjustment Effort in a Multi-Period Model

This paper shows that if the period following the granting of debt relief is taken into account, debt relief increases adjustment effort (investment), irrespective of whether there is an initial debt overhang or not.

Essay 4 Disability and Marginal Utility of Income

It is often implicitly assumed that disability generally lowers the marginal utility of income. This paper questions this view. Individuals' marginal utility of income is estimated in two states – when paralyzed in both legs and when not mobility impaired at all – using experimental choices between hypothetical lotteries where the outcomes include both income and disability status. The median ratio of individuals' marginal utility of income when paralyzed to when not mobility impaired, R , is estimated at between 1.33 and 2. It is statistically significant higher than one. Individuals with personal experience of paralysis and voters for the Left Block or the Liberal Party are more likely than others to have an R over one. Our results imply that more than full insurance of income losses connected to being disabled is optimal. The results also suggest, in contrast to, e.g. Sen (1997), that given a utilitarian social welfare function, resources should be transferred to, rather than from, disabled people.

Keywords: Zambia, agriculture, income diversification, structural change, poverty, global clothing industry, new economic geography, comparative advantages, industrial agglomeration, HIPC, debt relief, debt overhang, investment, incentives, disability, mobility impairment, marginal utility, hypothetical lotteries, risk.

JEL-classification: D10, D60, D63, F12, F13, F34, H63, I10, I30, L13, L67, O11, O13, O16, O55, Q10, R3, R11, R12

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