You are interested in investment in farms in India. The three major investments in farms are purchases of land, purchases of bullocks (oxen), and purchases of new seeds.

a) Pick one of the three investments above and write down a model of how farmers make investment decisions. Do not worry about equilibrium issues. Describe reasonable data you would need to estimate the parameters of your model and the estimation method. Explain how you know that your estimates are consistent.

b) Change your model to account for market equilibrium effects and provide detail on how that would change your estimation procedure if at all.

c) There is concern that the caste system in India may inhibit the flow of capital. Suggest in detail how you would change your model to allow for such a possibility. Construct a Lagrange Multiplier test to test the null hypothesis.