STOCKHOLM UNIVERSITY
Department of Economics

Course name:	**Econometrics 2**
Course code:	**EC7411**
Examiner:	**Per Pettersson Lidbom**
Number of credits:	**7,5 credits**
Date of exam:	**Saturday, April 29th 2017**
Examination time:	**09.00 – 12.00 (3 hours)**

Write your identification number on each paper (the number stated in the upper right hand corner on your exam cover).

Explain notions/concepts and symbols. If you think that a question is vaguely formulated, specify the conditions used for solving it. Only legible exams will be marked. No aids are allowed.

The exam consists of 2 questions. Each question is worth 50 points. One can get 100 points in total. For the grade E 40 points are required, for D 50 points, C 60 points, B 75 points and A 90 points. Answer each question clearly and concisely. Only legible answers will be considered.

Results will be posted on www.mitt.su.se 15 working days after the exam, April 22nd at the latest.

Good luck!

Question 1. (50p)

    a) Discuss the identifying assumption for the following regression specification:

$$Y_{ijt} = \alpha_j + \lambda_t + \pi_j t + \beta X_{jt} + v_{ijt}$$

       where i denotes an individual, j geographical area and t time. α_j is an area fixed effect and λ_t is a time fixed effect and $\pi_j t$ is an area-specific time trend. Y is an outcome measure and X is some varying "treatment intensity".

    b) Discuss how one should analyze a regression-discontinuity design.

Question 2. (50p)

Write a referee report on "Political budget cycles and fiscally conservative voters"

Good luck
Per Pettersson Lidbom