



Department of Economics

Course name: Policy Analysis in Labour Econ.

Course code: EC7414

Examiner: Peter Nilsson

Number of credits: 7.5 credits

Date of exam: Thursday 30 November 2017

Examination time: 3 hours

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

Use one cover sheet per question. 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 4 questions. Each question is worth 20 points, 80 points in total. For the grade E 36 points are required, for D 40 points, C 48 points, B 60 points and A 72 points.

Your results will be made available on your "My Studies" account 15 working days after the exam occasion, at the latest.

Good luck!

Question 1

- a) Please explain the "Sufficient statistics" approach in general. Name its advantage and disadvantages.
- b) Discuss the application of this approach to the problem of optimal design of unemployment insurance (UI)
- c) Why is the measurement of consumption is important in the literature of optimal UI?
- d) provide a a discussion of one of the paper measuring consumption around unemployment spells and name the magnitude of the effects found.
- e) Write a simple model incorporating the idea behind Keynes essay titled "Economic possibilities for our grandchildren"

Question 2

- a) Baker, Gruber, and Milligan (2008) analyze the introduction of highly subsidized, universally accessible child care in Quebec, Canada. What are the key results from this study on child outcomes?
- b) Havnes and Mogstad (2011) examine a reform from late 1975 in Norway, which led to a large scale expansion of subsidized child care; see figure 1 below. Describe how Havnes and Mogstad use this expansion to examine the effects of childcare on the children's outcomes. What is the identifying assumption?

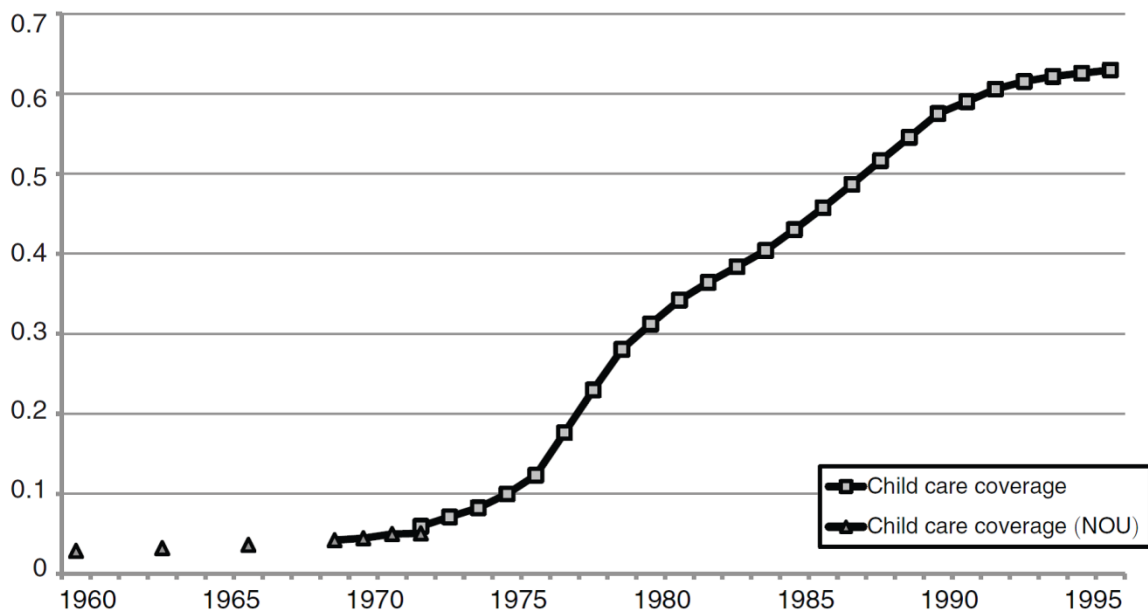


FIGURE 1. CHILD CARE COVERAGE RATE IN NORWAY 1960–1996 FOR CHILDREN 3–6 YEARS OLD

- c) Havnes and Mogstad (2011) and Baker, Gruber, and Milligans (2008) conclusions about the effects of childcare on children's outcomes differ. Which are the key potential reasons according Havnes and Mogstad?

Question 3

- a) Name four different forms of taxes on capital.

- b) Discuss administrative complications in taxing capital.

- c) Which are the main distortions that capital taxation generates? Discuss them.

- d) Kleven et al. (2011) ask why tax evasion is so low in the Nordic countries. What is their answer?

Question 4

Mörk, Sjögren, and Svaleryd (2008), examines determinants of fertility decisions in Sweden.

- A) Provide a short summary of their research question, data, main empirical strategy, and main findings.
- B) Mörk, Sjögren, and Svaleryd (2008) conducts a “placebo check” to test their empirical strategy. Provide an account of their placebo check, detailing why and how they implement it, their findings, and the conclusions they draw from it.