Course name:	Intermediate Development Economics
Course code:	EC2303
Type of exam:	Re-examination
Examiner:	Ingvild Almås and Mitchell Downey
Number of credits:	7.5 credits
Date of exam:	December 8, 2018
Examination time:	3 hours (09:00-12:00)

This exam contains SIX sections: Sections **A**, **B**, **C**, **D1**, **D2** and **E**.

Section A contains three questions, of which you have to answer ONLY TWO. You can choose which TWO of the three questions in Section A you answer. Each of those questions is worth 13 points. (Do not answer three questions in Section A. If you do so, only the first two questions answered will be marked.)

Section B contains three questions, of which you have to answer ONLY TWO. You can choose which TWO of the three questions in Section B you answer. Each of those questions is worth 13 points. (Do not answer three questions in Section B. If you do so, only the first two questions answered will be marked.)

Section C contains four questions, each worth 6 points. You have to answer ALL of those four questions.

Section D1 contains five questions, of which you have to answer ONLY FOUR. You can choose which FOUR of the five questions in Section D1 you answer. Each of those questions is worth 2 points. (Do not answer five questions in Section D1. If you do so, only the first four questions answered will be marked.)

Section D2 contains five questions, of which you have to answer ONLY FOUR. You can choose which FOUR of the five questions in Section D2 you answer. Each of those questions is worth 2 points. (Do not answer five questions in Section D2. If you do so, only the first four questions answered will be marked.)

Section E contains four questions, each worth 2 points. You should answer ALL of those four questions.

You can earn a maximum of 100 points on this exam. Your grade for this course is based on the sum of your points in this exam and the points you received for your presentation. For the grade E 45 points are required, for D 50 points, C 60 points, B 75 points and A 90 points.

Write your exam identification number on each answer sheet. Use the printed answer sheet for all your answers. Start each new question on a new answer sheet.

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.

Your results will be made available on your Ladok account (www.student.ladok.se) within 15 working days from the date of the examination.

Good luck!

Section A (26 points)

These questions ensure that you understand core concepts of the course. Answer two.

You may write as much as you think is necessary. We expect answer lengths to range from ¼ page to 1 page.

Question A.1: What are some explanations for low educational attainment in many developing countries?

Question A.2: Discuss the methods of measuring poverty that were covered in this course, and describe the advantages and disadvantages of each method.

Question A.3: Some economists say "All countries benefit from trade." Where do the gains from trade come from? Why do these economists say that all countries benefit? What clarifications do you think should be made to modify that statement?

Section B (26 points)

These questions ensure that you understand how to approach development policy in a thoughtful and balanced way. Answer two.

You may write as much as you think is necessary. We expect answer lengths to range from ¼ page to 1 page.

Question B.1: What are likely effects (both intended and unintended) of improving roads between two cities?

Question B.2: Suppose you were given 1 million SEK to implement a cash transfer program in Kenya. What are the major design features that you would have to decide on? How would you design the program? Why? What do you think would be the outcomes?

Question B.3: What are likely effects (both intended and unintended) of using subsidies to raise the profits from producing coffee in Colombia?

Section C (24 points)

These questions ensure that you understand the key ideas of causal inference and its role in development and policy. Answer all four.

You may write as much as you think is necessary. We expect answer lengths to range from 1-2 sentences to ½ page.

Question C.1: Explain what a causal effect or causality is.

Question C.2: What can we learn from causal effects when designing policies?

Question C.3: Suppose that a school-based program improves the average learning of students. We estimate this using a randomized controlled trial. Does that mean that all students are better off because of the program? Why or why not?

Question C.4: Suppose there are two countries: Country A and Country B. Country A exports more and has higher income. Does this mean that trade increases income? Why or why not?

Section D (16 points)

These questions ensure that you know what work has been done in development economics. Answer four questions from Section D1 and four questions from Section D2.

You may write as much as you think is necessary. We expect answer lengths to be 1-3 sentences.

Section D1: Choose four papers. For each, explain the core idea and/or result of the paper in a couple sentences.

Question D.1: Barrera-Osorio, F., Bertrand, M., Linden, L. L., & Perez-Calle, F. (2008). *Conditional cash transfers in education: design features, peer and sibling effects evidence from a randomized experiment in Colombia*. The World Bank.

Question D.2: Jensen, Robert T. *Economic opportunities and gender differences in human capital: Experimental evidence for India*. No. w16021. National Bureau of Economic Research, 2010.

Question D.3: Ferraz, Claudio, and Frederico Finan. "Exposing corrupt politicians: the effects of Brazil's publicly released audits on electoral outcomes." *The Quarterly Journal of Economics*123.2 (2008): 703-745.

Question D.4: Lewis-Faupel, Sean, Yusuf Neggers, Benjamin A. Olken, and Rohini Pande. "Can electronic procurement improve infrastructure provision? Evidence from public works in India and Indonesia." *American Economic Journal: Economic Policy* 8, no. 3 (2016): 258-83.

Question D.5: Almås, Ingvild, Johannes Haushofer, and Jeremy Shapiro. "The Income Elasticity for Nutrition: Evidence from Unconditional Cash Transfers in Kenya." Working Paper, 2018.

Section D2: Choose four papers. For each, provide 1-2 sentences summarizing the methodology or context to answer part (a) and 1-2 sentences summarizing the motivation, relevance, or interpretation to answer part (b).

Question D.6: Baird, McIntosh, and Ozler (2011) find that unconditional cash transfers reduce dropout by 2/3 as much as conditional ones.
a) *How did they show this?*
b) *Why does this matter?*

Question D.7: Holland (2015) shows that police operations and unlicensed vendors are proportional in both poor and nonpoor communities of Bogota.
a) *How did she show this?*
b) *Why does this matter?*

Question D.8: Romero, Sandefur, and Sandholtz show that school privatization raised turnout.
a) *How did they show this?*
b) *Why does this matter?*

Question D.9: Khandelwal, Schott, and Wei (2013) show trade liberalization raised productivity.
a) *How did they show this?*
b) *Why does this matter?*

Question D.10: Donaldson (2018) showed that railroads raised income.
a) *How did he show this?*
b) *Why does this matter?*

Section E (8 points)

These are difficult questions. Each is worth two points.

Question E.1: Two people request a micro-loan. I randomly assign one of them to receive the loan. Three years later, her income is 4000 SEK more than the other person's. Do micro-loans raise income by 4000 SEK? Is this a casual result? Why or why not?

Question E.2: Give an example of a realistic policy that benefits some and harms others, but that you believe should still be implemented. Why do you think it should be implemented?

Question E.3: We implemented an educational program in schools in Nigeria. We randomly assigned 100 classrooms to receive the program, and 100 classrooms to be a control group. The program was meant to help the best students excel. It selected the top 5 students from each class in the treatment group, and gave them intensive high-quality tutoring. At the end of the year, students who participated received much higher test scores than the best 5 students in control classes did, although there was no difference in average scores between treated classes and control classes. Was the program a success? Why or why not? Should the program be scaled up and expanded to all classes?

Question E.4: A manufacturing plant has opened near a village in Mexico. Do you think that educational attainment will rise or fall? Does it depend? If so, on what?