

Final Exam
(Three hours. Scores add up to 100)

I understand the Honor Code and pledge to abide by it.

Print Name: _____ Sign Name: _____

Part I. Definitions (*Answer only 5 out of the following 6; 5 points each for a total of 25 points*)

Define in one or two sentences:

1. Moral Hazard

2. P1

3. Difference in difference estimator

4. Conditional Cash Transfer

5. Theory of the second best

6. Global public good

Part II: True or False (*Answer only 5 of the following 6; 7 points each for a total of 35 points*).

State first whether the statement is true or false; explain your answer in two or three sentences.

1. Risk coping strategies of people in developing countries can help to protect them against idiosyncratic shocks, but not against covariate shocks. T/F

2. Harris and Todaro argued that the reason why rural people move to urban areas is because of asymmetric information regarding the probability of finding formal employment in the urban areas. T/F

3. Platteau's concerns related to community driven development draw on arguments related to dynamic incentives. T/F

4. Interventions aimed at changing the social norm can never be sufficient to achieve fertility declines. T/F

5. Interventions aimed at increasing education of girls are likely to increase the intra-household bargaining power of women. T/F

6. Positive assortative matching of risk-types helps to increase repayment rates of micro-credit loans. T/F

Part III: Essays (*select only 2 of the following 3; 20 points each for a total of 40 points*)

1. In “The Illusion of Sustainability”, Michael Kremer and Ted Miguel argue that policy interventions in developing countries should be aimed at reducing the effects of externalities.
 - a. Give 3 examples of externalities from different subfields of development, explain why there is an externality for each case and discuss briefly what type of policy intervention is needed.
 - b. If you agree that reducing the effects of externalities is the most important development intervention, would you recommend subsidizing micro-credit institutions? Explain your answer.

(Note: you don't need to be familiar with that paper to answer this question).

2. Land titling projects have received a lot of attention in many parts of the world.
 - a. Discuss the theoretical arguments that motivate those projects.
 - b. Discuss possible reasons why the expected benefits of land titling might not materialize in all contexts. Describe shortly in what type of context they are likely to be most successful in reducing poverty and in what type of context they are likely to be least successful in reducing poverty.

3. Evaluate the following statement: “Impact evaluation of development projects should primarily be interested in the long-run impacts. Interventions that improve short-term outcome variables but that don’t improve the wellbeing of the beneficiaries on the long-run are ultimately not good interventions. Because it is both politically and ethically impossible to randomly exclude otherwise eligible people on the long-run, the virtues of randomized experiments for impact evaluation are seriously oversold.” Refer to the relevant literature/papers in your answer.