



EE 461

Semester 2/2020

RECAP/PRACTICE QUESTIONS I

Chapter 2: What works and what doesn't

1. How can randomized treatments be used to test the effectiveness of social programs, like cash transfers for the poor?
2. What is a treatment effect?
3. What is the selection problem, and how can randomization solve it?
4. Does Angus Deaton agree with Esther Duflo that experiments are the “gold standard” for development research? Why or why not?
5. What are the main problems that can arise making experiments impractical or ineffective at determining program impacts?
6. How can economic linkages among households confound experiments?
7. What are the major ethical obstacles to doing experimental research in economics?

Chapter 3: Poverty

8. Is the “poverty headcount” the best index of the extent of poverty? Why or why not? Know what each of these means and how to calculate it: The poverty headcount, the poverty gap, the poverty gap-squared
9. [Poverty: 4 generations of poverty measurement]
 - 9.1 Label each statement TRUE or FALSE, and briefly explain your answer.
 - (a.) The stochastically poor are the asset nonpoor, whose incomes fall below income poverty line because of bad lucks. Hence, they are income poor.
 - (b.) The stochastically poor cannot be the structurally poor.

- (c.) A stochastic transition back from being income nonpoor to being income poor involves the reduction in asset level.
- (d.) A structural transition back from being income nonpoor to being income poor involves the reduction in asset level.
- (e.) A stochastic transition involves only change in income, and doesn't involve change in asset level.
- (f.) A structural transition involves both change in income and in asset level.

9.2 Do you agree or disagree with the following statements? Please explain reasons to support your answer clearly.

- (a.) The chronic income poor must be caught in poverty trap. That is, they will be poor indefinitely.
- (b.) The stochastically poor is more likely to be the transitory income poor than the structurally poor.
- (c.) The structurally poor can be the transitory income poor.
- (d.) Positive shocks in asset level can get people out of multiple-equilibria poverty trap.

10. [Poverty: Understanding poverty]

10.1 What are the main concepts of the following ideas?

- (a.) Poor but efficient
- (b.) Poor but neoclassical
- (c.) Poor but rational ?

10.2 What are the main differences between these concepts and their policy implications?