

Final Examination

**(Three hours, closed books. 30% of course grade. Total of 100 points.
Write on back side of page if needed))**

Your name: _____

Part I. Definitions (Select any 5 of the following 6; 4 points each for a total of 20 points)

Define the following concepts. Use words, formulas, and graphs as needed.

1. P_2 as a poverty indicator

2. Type I and Type II errors in targeting

3. The real exchange rate

4. Propensity score matching in impact evaluation

5. Intellectual property rights

6. Damage control inputs

Part II. Short questions (Select any 5 of the following 6; 8 points each for a total of 40 points)

Give short answers

1. Price and exchange rate policies

Ann Krueger has shown that countries often protect their food producing sector as part of national food security objectives, but keep an overvalued (appreciated) exchange rate to favor the import of intermediate capital goods for industry. Explain what these policies do to:

- Incentives for food producers
- Incentives for cash crops producers

2. Industrialization strategies

In looking at the history of industrialization strategies used by different countries, explain why a country like Brazil chose to use ISI, a country like Taiwan EOI, and a country like Mauritius OEI.

3. Randomization

When would you calculate a double difference measurement of impact when you have used randomization?

4. Real exchange rate adjustment

If the price of exported goods increases on the world market, how does the real exchange rate adjust if there is a fixed nominal exchange rate?

5. Conservation Technology

What type of policies do you envision to encourage the adoption of resource conserving (or precision) technologies in the context of poverty?

6. Climate Change

What will determine the economic impact of climate change on a specific country?

Part III. Essays (Select any 2 of the following 3; 20 points each for a total of 40 points)

1. Community-based targeting (based on paper by Conning and Kevane).

1.1. If a welfare agency wants to target an anti-poverty program in a community where people know each others well, but where the agency does not know who is poor and non-poor, how would you design a community-based approach?

1.2. Give the pros and cons of your recommended approach.

2. Group lending

2.1. How does group lending affect the problems of adverse selection and moral hazard that pertain to lending without collateral?

2.2. Characterize the insurance that group members are able to provide each others. Is it an efficient insurance scheme? What characteristics should a group have to make it more effective? What trade-offs does this optimal group composition for insurance raise?

3. Environmental Services

3.1. What are the different categories and dimensions of environmental services? What are their implications?

3.2. Suggest alternative strategies for purchasing environmental services. What factors will determine which strategy will be chosen?

