Connor Johnson

ECON 0530

1. C
2. D
3. B
4. 1. Blue is actual, yellow is perceived
   2. B
   3. Parents are more likely to favor children that are more likely to make it through higher levels of education because they believe the return on them is higher. They are also more likely to give up on kids that struggle more because they believe they can’t make it to higher grades. Because they think the returns are so low in primary school, parents often don’t care if their kids that struggle more drop out early.
5. 1. Pros: Unconditional Cash Transfers are cheaper to distribute because there are no conditions that need to be checked. There us more flexibility on what recipients can buy which can result in psychological improvement.
   2. Cons: Recipients could spend the money on temptation goods which could cause more harm in the long run. They can cause a decrease in the labor supply by increasing people’s income and lowering the need to work.
6. Fixed costs are banks researching and keeping track of their borrowers. Since poor people tend to get higher interest rates, they are more likely to try to steal borrowed money. Thus, borrowers have to spend more to make sure this doesn’t happen so fixed costs are higher. Formal institutions tend to be pretty far removed from villages and the people which causes fixed costs to be high since it’s harder to keep track of villagers.
7. There are two main potential causes for this correlation. The first is that governments tend to limit immigration when the economy is doing poorly. So, there is less migration to places with lower wages. The second reason is that migrants are more likely to pick a location that has a good economy. Thus, cities with higher wages will attract more migrants.
   1. The supply curve will shift to the right causing wages to drop
   2. Increased spending will cause the demand curve to shift right. As a result, the equilibrium wage will increase to its original level.
8. One reason is that people tend to buy more expensive food when their salary increases. Expensive food tends to have fewer calories so less calories are consumed. Another reason is technology and infrastructure tend to cause increase in wages. There is less physical labor needed when technology is improved so less calories are burnt. Thus, less calories are consumed. Finally, there are other products that can only be bought with a higher income. Many poor people prefer buying these to more food so they eat fewer calories.
9. I would propose a policy that would tackle the problem of uncomfortable urban living. This policy would provide free housing for the first in the cities that are nicer than what they could normally afford. After this, transportation to outside the city would be provided. Many of these workers will be working in urban centers while so they have to live in the city. Free transportation allows them to live in a more comfortable area outside the city while still working in the city.