Connor Johnson

Econ 530

Problem Set 2

1. Elite bias is based off the fact that people perceive earnings to increase more per extra year of education in higher levels of education. So, people believe earnings increase more if a child completes an extra year of high school compared to an extra year of primary school. This causes parents and teachers to favor students that are more likely to complete more education because it is a better “investment” that pays off more at higher levels of education. This favoritism is known as elite bias. In reality, the return of schooling to years is a linear relationship so every year of school increases a student’s earnings by the same amount on average.
2. There isn’t an exact known reason for this anomaly in India. One possible reason is that the population in India is still growing more than it is in China. Men tend to want to marry a woman that is younger than them. Since the population is growing in India, there are more young women than there are in China. As a result, women often also have to pay a dowry because there are more women that are ready to get married in India than in China.
3. 1. (Poor after 1997 – Poor before 1997) – (rich after 1997 – rich before 1997) = (6-3) – (7-5) = 1. The program increased the health index by 1
   2. a1 – The difference in health index between poor areas and rich areas before PROGRESA was put in place

a2 – the true treatment effect on the poor from the PROGRESA program

a3 – the expected change in health index for people that didn’t have the PROGRESA program