Module 1: The Basics of R and Introduction to the Course

Welcome to the Course

Introduction to R

Introductory Lecture
Finger Exercises due Oct 03, 2016 at 05:00 IST

Module 1: Homework
Homework due Sep 26, 2016 at 05:00 IST

Entrance Survey

Module 2: Fundamentals of Probability, Random Variables, Distributions, and Joint Distributions

Exit Survey

Question 1

(1/1 point)

Which of the following are identified as the primary problems in the original pollution audits system in Gujarat that was discussed in class?

- a. Concentration of market power among a small group of auditors
- b. Conflict of interest and perverse incentives ✔
- c. Mismeasurement and lack of standard metrics among auditing firms
- d. Lack of clear and consistent reporting requirements for auditing firms

EXPLANATION

In the original pollution audits system in Gujarat, firms were able to select and hire private auditors to produce reports that indicated whether they were in compliance with the pollution regulations or not. This introduced a perverse incentive for auditing firms to produce audit reports that would show the firm was in compliance, whether or not that was the case.

You have used 1 of 2 submissions

Question 2

(1/1 point)

What solution did the researchers propose to potentially fix this problem? (See Question 1)

- a. The government would hire auditors directly and randomly assign auditors to firms
- b. Firms would be audited by three auditors, and the government would intervene if the three reports did not match
- c. The government would directly hire auditors to audit each of the firms
- d. Firms would pay into a central pool, auditors from the central pool are randomly assigned to firms ✔

EXPLANATION

The researchers identified that the conflict of interest arose from the fact that firms were directly hiring auditors. The researchers proposed to sever the link between the firms and the auditors by setting up a system whereby firms would pay into a central pool, and then auditors would be randomly assigned from the pool to audit each firm. This reduced the incentive for firms to select and pay auditors to deliver a positive report.

You have used 1 of 2 submissions