

## Final Exam

*Instructions:* This exam has 6 questions and is worth 120 points. Point values for each question are indicated to the right of the question number. Calculators, notes and books are not allowed. Label all curves and axes in graphs. Good luck.

1. (25 points) State the important elements in the journal article: Jacob, Brian A. and Lars Lefgren, "Are Idle Hands the Devil's Workshop? Incapacitation, Concentration and Juvenile Crime," *American Economic Review* 93(5), December 2003: 1560-1577. Include the following elements:

- **Primary question(s) addressed in the paper**

Do more or longer school days or after-school programs increase or decrease juvenile crime?

- **Method used to analyze the question**

Negative binomial regression model with fixed effects.

- **Data source used in the article, if relevant**

National Incident-Based Reporting System (NIBRS) data from the Bureau of Justice on daily crime statistics for 29 jurisdictions from 1995-1999, merged with school calendar information on school days and out-of-school days.

- **Results, focusing on the implications for the primary question(s)**

- Juvenile property crime decreases by ~14% on days when school is in session.
- Juvenile violent crime increases by ~ 28% on school days.
- Changes in criminal activity from changes in the school day are not offset by criminal activity during other time periods or days.
- Findings are consistent with the incapacitation effect for property crime, but with the concentration effect for violent crime.

- **Policy implications**

Smaller after-school programs that provide monitoring, structure, and activities, but do not substantially increase the concentration of juveniles thereby stimulating conflict, may be the best way to reduce juvenile crime.

2. (12 points) Give an example of each of the following. (You need not give a definition.)
- public good – *defense [or another example such as lighthouse]*
  - negative externality – *pollution from production [second-hand smoke]*
  - positive externality – *vaccination [beauty of a well-kept yard]*
  - common property resource – *fish in a lake*

3. (18 points) Choose a presentation by one of your colleagues of interest to you. Discuss the question of interest, the main points of the paper, and the student's conclusion regarding the evidence and the original question. (Answer may be in list form.)

*Answer varies.*

4. (20 points) Define the following terms:

- Expected value of a benefit –  $E(B) = \sum_i \text{prob}(B=b_i) \cdot b_i$   
where  $\text{prob}(B=b_i)$  is the probability that the benefit is worth \$  $b_i$
- Free rider – *a consumer or producer who enjoys the benefits of a good without paying the cost.*
- Property rights – *laws defining acceptable uses of property.*
- Sensitivity analysis – *using alternative assumptions to judge the robustness of results, e.g., using different discount rates in cost-benefit analysis or using different sets of regressors in regression analysis.*
- Living wage – *a wage floor set higher than the state or federal minimum wage law, usually pegged to the wage level needed to reach the federal poverty line. Living wage laws are administered by local communities and generally have limited coverage.*

5. (20 points)

- Define "Reasonable Accommodation" in the context of the Americans with Disabilities Act (ADA).

Reasonable accommodation may include, but is not limited to, making existing facilities used by employees readily accessible to and usable by persons with disabilities; job restructuring; modification of work schedules; providing additional unpaid leave; reassignment to a vacant position; acquiring or modifying equipment or devices; adjusting or modifying examinations, training materials, or policies; and providing qualified readers or interpreters.

5. b. Identify the three approaches suggested by Stapleton and Burkhauser (2003) for improving ADA compliance and employment outcomes.
- Reduce the cost of employer accommodations through subsidies or technical support
  - Increase efforts to enforce compliance in hiring.
  - Clarify who is protected, under which circumstances they are protected, and what constitutes reasonable accommodation.

**Question 6 applies to budget lines which was not covered in the Winter 2008 class**

6. (25 points)
- a. Show graphically how the Earned Income Tax Credit (EITC) would affect an individual's budget line, and identify the phase-in, stationary, and phase-out portions of the budget line. Assume that the individual has no non-labor income. (Be sure to label all curves and axes.)

*See Borjas handout, Figure 2-16.*

- b. Now show graphically how the EITC might draw some people into the labor force, and how it might discourage hours worked for others.

*See Borjas handout, Figure 2-17.*

- c. Suppose that the state of Oregon is considering an alternative policy to the EITC: A payment of \$1000 would be allocated to individuals who do not work. For each hour of work per day, the payment is reduced by 20%. That is, if the individual works 1 hour, the payment from the government will be \$800; if he/she works 2 hours, the payment will be \$600, etc. What are the incentive/disincentive effects of the proposed policy as it affects work?

The budget line is shown in the graph below. For someone who is not working, there is even less incentive to work with the \$1000 payment. Some people who are working may work fewer hours (see panel a), and some may even drop out of the work force (see panel b). (Note that the budget line has the same shape as the EITC budget line in the phase-out portion.)

- d. Based on labor supply incentives, would you recommend keeping the EITC program or adopting the proposed policy?

Keeping the EITC program