

Problem Set VII
Econ 350, Winter 2021
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Due March 5th, 2021
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1. Revisit your answer to Question #4 of Problem Set VI asking you about identification of the Chetty models of neighborhood impact. Specifically, write down:
 - (a) a formal model of neighborhood choice by families that is implicit in these papers;
 - (b) the model of the timing of choice and persistence of neighborhood residence; and
 - (c) the criteria regarding child outcomes parents use to make these decisions.
2. How do these choice decisions, analyzed in (1), affect identification of the causal effect of neighborhood exposure? Define exactly what exposure means. Is it related to schooling? Crime? Parental characteristics?
3. Assess the empirical tests and estimates in these papers given your answers to (1) and (2).
4. Interpret the Chetty-Hendren papers using the Seshadri-Durlauf model.
5. Interpret the Chetty-Hendren papers and Seshadri-Durlauf papers using the framework of Becker et al. (2018) and Cunha and Heckman (2007).

6. Using the analysis of Del Boca et al. (2014), comment on the likely effectiveness of unrestricted cash transfers to poor families as advocated by the Baby's First Years project (<https://www.babysfirstyears.com/>).

References

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- Del Boca, D., C. J. Flinn, and M. Wiswall (2014). Household choices and child development. *Review of Economic Studies* 81(1), 137–185.