

Econometrics 1: Winter 2010
Questionnaire 4
**“Schooling and Labor Market Consequences of School Construction in
Indonesia: Evidence from an Unusual Policy Experiment”**

The questions are based on Duflo, E. (2001), “Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual Policy Experiment”, American Economic Review, 91(4), 795-813.

1. Describe the program. Describe the data used by the author. What is the expected impact of such a program? In the data, do we have information on the registration in an INPRES school by individuals? What does this paper thus measure? Was the program placed randomly? How does this complicate the study?
2. Describe the identification strategy. Is this strategy convincing? On what hypothesis does it rely? Discuss Table 3. Interpret the coefficients.
3. Write down the estimation equation that links the program to education. What does this γ_1 mean? Discuss Table 4. What control variables are used? Why? Does the author test the hypothesis upon which the identification strategy rests?
4. Explain the Figure 1 and Table 5. What can you learn from it?
5. Write down the estimation equation that links the program to earnings. Why does the author present the specification (8)? Why can't we do a simple OLS? What strategy is suggested by the author? Is this convincing? Which hypotheses need to be made? What are the statistical tests provided by the author? What are the two problems treated by the author? How? Are there other issues?
6. What is the cost-benefit ratio of the program? What conclusions do you draw from the paper? What policy implications may be made? What policy implications may not be made?