1. Pledge.

2. Start each question on a separate page.

3. Write legibly.

4. Answer the questions being asked; not the question you would prefer to answer.

This exam is about estimating the choice of migration from Mexico to the United States.

1) [20 points] Construct and precisely describe a model of people deciding each year whether to stay where they are, to move to a different state in Mexico, or to move to the United States. Your model should allow for return migration back to one’s place of birth, and it should distinguish between legal and illegal immigration. Use your model to show that, for immigrants to the United States, each extra period one remains in the United States, the probability of returning to Mexico declines.

2) [30 points] Provide detail on how to estimate the parameters of the model you constructed in (1). Be careful to base your estimation strategy on the model you described including the introduction of deviations between data and model predictions.

3) [20 points] Suggest two immigration policies that the US government might implement to reduce illegal immigration and describe (in as much detail as possible) how to use your model to evaluate the effectiveness of each policy.