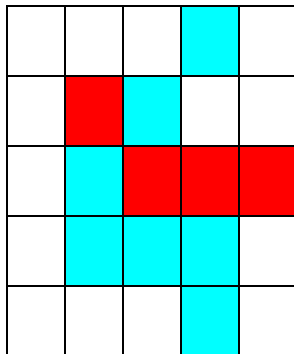
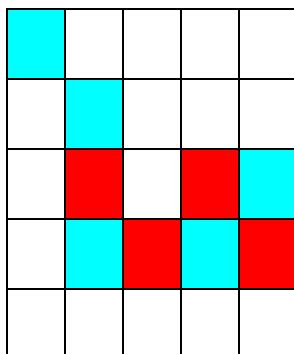


Your answers should include explanations and your supporting work.

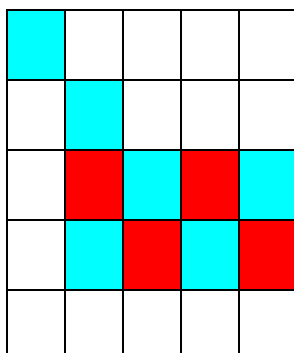
1. What are the reasons we model?
2. What are the four possible solution types?
3. Schelling Model: With a threshold of 30% what would happen to the red squares (assume the blue squares do not change)? Is there a tip (exodus or genesis)?



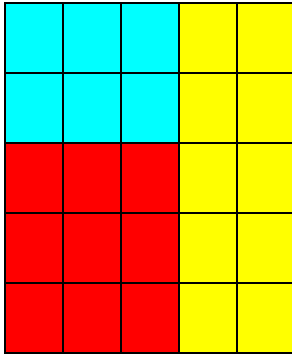
4. Schelling Model: With a threshold of 30% what would happen to the red squares (assume the blue squares do not change)?



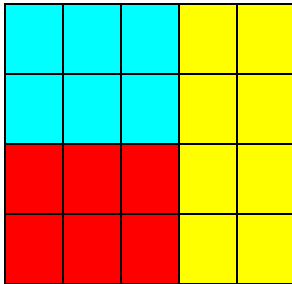
The center blue square just moved into the neighborhood. With a threshold of 30% what would happen to the red squares (assume the blue squares do not change)? Is there a tip (exodus or genesis)?



5. Grannovetter Model. Assume there are ten people per block, the red squares contain 10 rich, 0 poor, the blue squares contain 0 rich, 10 poor and the yellow squares are 5 rich 5 poor. Compute the index of dissimilarity.



6. Grannovetter Model. Assume there are ten people per block, the red squares contain 10 rich, 0 poor, the blue squares contain 0 rich, 10 poor and the yellow squares are 7 rich 3 poor. Compute the index of dissimilarity.



7. For the standing ovation model assume we have an audience of $N=1000$ people with a threshold of 70. If the shows quality is $Q = 55$ and the error is $E = [-20,20]$ using $\text{Signal} = \text{Quality} + \text{Error}$ find what percent of the audience will stand.
8. Give your own examples of a peer effect and of sorting (homophily)?
9. What type of data do we need to determine peer effect versus sorting?