

Summary:

PART 1. Do Exercise 3 (a), (b), and (e) and Exercise 6 (a) and (b) in Berndt, Chapter 4: The Measurement of Quality Change Pricing Model. The Chow data are in Stata format at <http://courses.umass.edu/econ753/berndt/stata/chow.dta> and in ASCII format at <http://courses.umass.edu/econ753/berndt/chap4.dat/chow>.

PART 2. Price Index and Minimum Wage Exercise

Techniques: Price indexes, data retrieval, spreadsheet computation.

Assignment. (1) In one figure, plot annual *inflation* 1968-present measured alternatively by the CPI-U, by the C-CPI-U (since 1999), and by the CPI-U-RS (and its predecessor the CPI-U-X1). Comment on how and when these series differ. (2) In a second figure, show the value of the minimum wage for 1968-2018 in 2018 CPI-U-RS dollars. (3) On a third plot, show the nominal statutory minimum wage *and* the nominal hypothetical minimum wage for 1968-2018 if the CPI-U had been used for COLA since 1968. Comment on plots (2) and (3) as alternative methods for showing the changing value of the minimum wage.

Data. Nominal minimum wage data are available from the Department of Labor, <http://www.dol.gov/whd/minimumwage.htm>. The standard Consumer Price Index, CPI-U (U for Urban Consumers) and the chained C-CPI-U are available from the Bureau of Labor Statistics, <http://www.bls.gov/cpi> or from FRED. The CPI-U-RS, the “research series using current methods,” is available beginning in 1977 from <http://www.bls.gov/cpi/cpiurs.htm>. For 1968 to 1977, approximate the CPI-U-RS assuming the same rate of change as the CPI-U-X1, (X for experimental) which applies rental equivalence but not the other RS adjustments and is available beginning in 1968 from the Economic Report of the President, Table B—62 (www.gpo.gov/erp/ see the 2012 and 2013 editions). You will need to create consistent indexes with a common base year; that is part of the assignment.

PART 3. Term Paper Progress

Choose the paper that you want to replicate. Submit the title, author, and source of the paper and a brief description of your proposed replication. You do not need to replicate the entire paper. You should specify which equations, tables, or figures you plan to replicate. Please make appointments with both Michael and Bob to discuss your paper topic soon after you turn in this assignment. Your homework will not count as completed until you have made these appointments.