

Problem Set 1

Econ 350: The University of Chicago

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1 Basic Facts on Inequality

1.1 The U.S. and the OECD countries

Compare the levels and trends over time of inequality in (i) prices; (ii) hours worked; (iii) earnings; (iv) employment; (v) labor force participation; (vi) household income between the U.S. and the OECD.

This is a very broad question. Try to be concrete and form a general idea of how inequality looks like and what are its major causes. (Hint: This [link](#) and this [other](#) are useful sources. Other papers in this [website](#) may help).

1.1.1 Decomposing Inequality

Asses what is the relative importance of the following components of inequality: (i) transfer policies; (ii) male employment and hours worked; (iii) male wage rates; (iv) assortative mating; (v) female employment and hours worked; (vi) female wage rates.

1.2 Education and Household Income

How important is education as a determinant of household income?

1.3 Income and Consumption Inequality

Compare the difference in income and in consumption inequality. For the U.S. a good start is this [paper](#).

2 Inequality Measures

Define the Gini Coefficient, the variance of log income, and the Thiel-Atkinson inequality measures. For the Gini coefficient, answer the following questions: (i) does it satisfy the Dalton-Pigou principle of income transfer; (ii) is it decomposable?; (iii) is it sensitive to movements in the distribution of the relevant variable?; (iv) does it capture individual and population welfare? Hint: read the [handout](#) on Measures of Inequality.

3 Why Should Economists Study Inequality? A Brief Survey of Distributive Justice and Ethical Duty

Bradley is working on a couple of questions related to his talk on philosophical aspects on inequality.

4 First Steps of the Empirical Project on Structural Estimation

Solve Exercises 1.1, 1.2, and 1.3 in of the Empirical Project on Structural Estimation.