

1. Define and explain the three competing reasons for why people live in poverty.
2. What are the links that are necessary for the “human capital” argument to hold?
3. Does economic theory suggest that fluctuations in consumption should mirror those in income?
4. What are the differences between the absolute and relative approaches to poverty?
5. Evaluate this statement: The “Big Brother” hypothesis cannot explain poverty because tax rates in the federal income tax code are in the range of 10%, 15%, and 27% for most people who are likely to be poor.
6. Evaluate this statement: The official poverty line for a family of four in 1998 was \$16,660. It therefore follows that the poverty line for a family of eight was double that amount – \$33,320.
7. Evaluate this statement: The Social Security Administration (SSA) came up with the official measures of poverty, middle class, and upper class that are still used today.
8. Evaluate this statement: Economic theory suggests we should value in-kind benefits at their average cost.
9. What are some problems in using a household based survey like the CPS for computing poverty levels?
10. Explain what “latent poverty” is. What are some difficulties in concluding how many people are in latent poverty.
11. Evaluate this statement: If college graduates earn 25% more on average than high school graduates, we can conclude that the return to a college degree is 25%.
12. Evaluate this statement: The “hiring queue” theory would suggest that average quality of workers goes up during a recession, and the average quality of non-workers goes down.
13. Schiller presents the relationship between poverty rates and weeks of work. What are the difficulties and unanswered questions in the presentation, and how could it be improved?
14. Schiller discusses several “measurement problems” in identifying the working poor. Identify and assess the importance of these problems.
15. In Chapter 4, Schiller presents a relationship between number of workers in 2 parent families and poverty rates. Is it reasonable to conclude that the poverty rate will go up by about 14.7 percentage points when the secondary earner loses a job?
16. Evaluate Schiller’s statement, “Poverty refers to the relationship between a family’s income and its needs. Thus, it might also be the case that the poor have above-average needs, due to either larger families or special expenses, for example, medical bills.”
17. Schiller notes that in 1900 life expectancy at birth was 49 years, and is now about 76 years. Why has life expectancy increased so much?
18. Schiller shows that the poverty rates for the “oldest-old” are 14.2% and are only 9.1% for the “youngest-old.” How does mortality affect the interpretation of these numbers?
19. In discussing the elderly, Schiller notes that “most of that wealth is held in the form of home equity, which cannot easily be converted into cash unless the house is sold or mortgaged. *Financial* assets like stocks and bonds which are more readily convertible to cash, account for less than a fifth of all assets held by the aged.” Evaluate this.
20. Schiller mentions “Pension plans are often great disillusionments. Many workers confidently subscribe to company pension plans only to find that they have no pension rights upon retirement.” Evaluate this.
21. Schiller mentions “A family need not be far above the poverty line to have an adequate margin against the burdens of ill health. Our 1998 poverty line for a family of four was just

under \$17,000. Average medical expenses for a family of this size are around \$3,000 per year. Hence, for the typical family, an income of over \$20,000 would easily prevent slippage into poverty as a result of illness.” Evaluate this.

22. In Chapter 6, Schiller presents a graph of poverty rates by family size for female heads and married couples. Discuss and evaluate the importance for why poverty rates rise with number of children.

23. In Chapter 6, Schiller mentions that “teen childbearing reduces a mother’s later wages by 13 to 23 percent.” Evaluate this.

24. In Chapter 7, Schiller notes that numerous studies document higher IQ scores for whites relative to blacks. With this information, could one conclude that differences in intelligence explain differences in incomes?

25. In Table 8.1, Schiller shows the relationship between education and labor market outcomes. Discuss the mistakes that are probably in this table, and why do we know this?

26. Explain the process of “bumping down” discussed in Chapter 8, as well as its plausibility.

27. In Figure 8.4, Schiller shows the relationship between IQ scores, earnings, and years of schooling. What are Schiller’s conclusions from this figure, and what are the difficulties in making such conclusions?

28. Describe and evaluate different ways in which researchers go about proving discrimination.

29. Discuss how racial segregation has changed in schools from the late 1960s onward.

30. Evaluate this: The tables in Schiller show that a large part of the racial disparities in college attendance are explained by income disparities.

31. If we observe racial disparities in the labor market, is it correct to conclude that employers are discriminating?

32. Figure 10.1 shows the earnings of white, black, and hispanic men. What are the problems with this table?

33. Describe what is meant by “institutional discrimination” in the labor market.

34. Describe the research methods and evaluate the main points of the Bertrand and Mullainathan study on labor market discrimination. How does their study improve on a typical “audit” study?

35. What predictions can be made about lowering tax rates for welfare recipients?

36. What are the potential reasons that we observe eligible families not taking up welfare benefits?