

Economics 113 Spring 2005 Problem Set #1

(Courtesy of Martha Olney)

Due: At start of Midterm; Tuesday, February 15, 2005. Late problem sets lose 50% of value for every 24 hours or part thereof.

Your Name _____

GSI's Name _____

Source: Joan Underhill Hannon (1984) "Poverty in the Antebellum Northeast," *Journal of Economic History* 44 (December). Table 3.

Determinants of Extent of Pauperism, 1823		
<u>independent variable</u>	<u>coefficient</u>	<u>t-statistic</u>
constant	2.51	2.4
% Non-Agricultural L.F.	0.7	2.2
1820 population	0.03	1.05
population growth rate	0.2	0.28
% foreign born	-1.23	-0.81
% nonwhite	1.49	0.76
employment rate	0.03	0.14

Use the regression results summarized in the table above to answer the questions below.

- 1. Suppose there are two towns that are alike in all regards with one exception: in A-town 50% of the population is foreign born, but in B-town only 40% of the population is foreign born.**
 - a. In which town, A-town or B-town, will the predicted 1823 pauperism rate be higher? Why?
 - b. What will be the predicted difference between the 1823 pauperism rates in A-town & B-town? (You will have to go back to the original Hannon article read the notes to the table in the article in order to correctly answer this question.)
 - c. Is the difference in the 1823 pauperism rates of A-town & B-town statistically significant? In words that would make sense to a non-economics major, explain what that means.

d. Do you think that the difference in the 1823 pauperism rates of A-town and B-town economically significant?

2. Why is attributing differences in pauperism in 1823 to differences in urbanization probably not a correct assessment of the causes of variation in pauperism rates?

a. What variables in the regression are measuring degrees of urbanization?

b. Why isn't urbanization a good explanation for differences in pauperism rates?