

ECON-A4000 - Economics of Global Challenges

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Return method: through mycourses by the deadline

Problem Set 2: Question 1

I would like to connection our reading from the class on March 14 (by David Autor) to the material on the slides (lecture 6, pp. 16-19).

1. In the reading we found that the real wages have increased differently at different levels of education over time. Similar as in the analysis on page 16 of the slides (the figure on the right on Gini), please analyze how the Gini coefficient is expected to change as a result education-driven change in the real wages. You may compare years 1964 vs. 2010 and do the analysis separately for males and females (as in figure 6 of the reading). Note: I'm expecting qualitative analysis only.
2. Figure 5 of the reading suggests that income inequality is associated to low intergenerational mobility. If this is the case, consider how the Gini coefficient would change over time in a country with a high inequality and low mobility. You may the draw the Lorentz curve for two (hypothetical) generations.
3. The next mechanism is about the effect of automation
 - The figure on page 18 (slides for lecture 6) shows that change in the equality measure that follows from automation. Explain.
 - Can you connect this mechanism to lecture 5 where we discussed the “missing middle”? That is, what are the inequality implications of technologies that are substitutes for some jobs and complements for others?