

NAME: _____

Economics of Poverty and Discrimination
Final Exam
Fall 2006

Answer all questions. The allocation of points should serve as a guide to the amount of time you should devote to each question. Answer the questions fully but do not pad your answers. (Use the back of the sheet if necessary.) References to *poverty* refer to the official poverty definition if the answer would differ using another definition.

1. **(2½ points each)** Answer true, false or uncertain. **Explain your answers. No credit will be given without an explanation.**
- a. If we control for both AFQT and education, black men earn less than white men. This is compelling evidence of discrimination against black men in the labor market.
- b. Under the No Child Left Behind Act, among schools of similar size, more diverse schools are more likely to fail to make Adequate Yearly Progress.
- c. If many employers prefer not to hire black men, black men will have lower wages than otherwise equivalent white men.
- d. At selective colleges, black students generally have lower SAT scores than do white students. This demonstrates that selective colleges practice reverse discrimination.

e. Gay men earn less than apparently similar heterosexual men. This is because employers discriminate against gay men.

f. The earnings of black women and white women are roughly equal. This shows that there is little or no discrimination against black women relative to white women.

2a. **(three points)** Describe the trend in the relative annual earnings of white and black men since the 1940s.

b. **(2 points)** How does the high incarceration rate of black men affect *estimates* of the black-white earnings ratio?

3. The following table shows the results of regressing the poverty rate for female headed-households (in percent) on the poverty rate for all people, average monthly welfare benefit, median annual earnings for men and median annual earnings for women.

Poverty Rate - Female-Headed Households	
Poverty Rate All People	1.578 (0.313)
Average Monthly Welfare Benefit Per Recipient	0.046 (0.012)
Median Earnings Male Workers (\$'000s)	-0.195 (0.335)
Median Earnings Female Workers (\$'000s)	-0.066 (0.132)
Standard errors in parentheses	

a. (2½ points) Briefly explain how to interpret these results (e.g. which factors are associated with an increase in the poverty rate for female-headed households and which with a decrease, statistical significance).

b. (2½ points) Does an increase in the overall poverty rate **cause** an increase in the poverty rate for female-headed households?

c. (4 points) If you were trying to find the factors that cause changes in the poverty rate for female-headed households what other variables would you want to include in the regression? Why?

4. **(6 points)** Did Fair Housing laws, which prohibited discrimination in the sale and rental of housing, contribute to the decline in poverty among blacks. [*Note: Fair housing laws (including the Fair Housing Act of 1968) were generally passed in the late 1960s. In answering this question you should draw on what you know about the timing of changes in poverty among different groups, the effect of neighborhood segregation on blacks and neighborhood poverty on individual outcomes. Take your time to develop your ideas; do not simply write everything you know about these topics.*]