

ECON 4211

HW 5

Due Fri, Nov 7

Problem 1 (*Education*) Assume you come across an empirical finding describing the result of an experiment conducted in a country where girls traditionally are “educated at home”. In the experiment random households got “gifts” for providing formal education for their daughters and the fraction of the gift that got eventually used for the designated purpose varied substantially with the parent who got the gift: in case a mother did, the girl was more likely to be sent to school. Can you use this information to formulate a justification for publicly provided education?

Problem 2 (*Social Security and Healthcare*) Cigarette tax is prevalent in North America and Europe. Explain why (from a societal perspective) such a tax might be justified, and provide one argument against it (or at least for restricting such a tax).

Problem 3 16, chapter 17.

Problem 4 (*Extra credit: Social Security*) Calculate (given current rules) a contribution into the social security system of a low (30,000/year) and high (300,000/year) single earner and their respective benefits assuming both earn for 40 years starting from the age of 27 and live for 85 years overall. Hint: use the social security website for additional information.