Macroeconomics II
Assignment 1

This problem set requires you to use the Penn World Tables at http://pwt.econ.upenn.edu/ or at http://datacentre.chass.utoronto.ca/pwt/index.html.

1. From Prescott and Parente (1993) we learned that

(i) there was little change in the income distribution between 1960 and 1990;

(ii) the standard deviation of income rose between 1960 and 1990 for the world as a whole, it fell for Western Europe, and rose dramatically in SE Asia.

Do these findings hold if the analysis is revised to include the latest available data in the Penn World Tables? What, if any, changes do you observe?

2. Which countries experienced the greatest increases and which countries experienced the greatest declines in relative income between 1990 and 2000? Are there obvious explanations for the fortunes of these rapid movers?

3. Not all countries have income data all the way up to 2000. Compare the sample of countries with missing data to those with complete income data. What is the danger of simply omitting countries with missing 2000 data from your analysis if you are looking at (i) β convergence in income between 1960 and 2000, (ii) the distribution of income in 2000.

4. (If you are doing this assignment in a group, I want at least one graph for each member of the group. More formally, let n be the number of group members, let i be a random integer, and let x be the number of distinct graphs submitted. Then $x = n + i$. for some $i \in [0, n]$). Produce either one or (at most) two cool, original and informative graph(s) revealing some interesting factoids about cross country patterns in income levels or income growth. You will naturally be inspired by the rather clever graph I showed you in class.