1. Describe why there is an ambiguous causal relation between income and health status.
2. Gruber and Gertler (2002) concludes that families in their sample are not able to insure 35 percent of the cost of serious illness. Explain what they mean and how they come to this conclusion. What causes the endogeneity problem and how do they deal with it?
3. Explain the difference between the “absolute” and “relative” income hypothesis. What is the policy implication of this difference? Describe the empirical support for these hypothesises.
4. Explain the difference between the “non-linearity-effect-of-income” and “separate-effect-of-income-inequality” hypothesises. What is the policy implication of this difference? Describe the empirical support for these hypothesises.
5. Summarize Johannesson and Gertham’s paper.
6. Case, Lubotsky and Paxton (2002). Explain the research questions in their study, their decomposition analysis, their empirical specification, briefly their results and the elements of their sensitivity analysis. The paper was awarded the Kenneth Arrow prize for best paper in health economics. Why is it a good paper (or if you disagree, why is it not)?