

DIW Applied Micro Seminar

Gini's mean difference offers a response to Leamer's critique

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Abstract:

Gini's mean difference has decomposition properties that nest the decomposition of the variance as a special case. By using it is possible to reveal some of the implicit assumptions imposed on the data by using the variance. I argue that some of those implicit assumptions can be traced to be the causes of Leamer's critique concerning the ability to manipulate the results of regressions. By requiring the econometrician to report whether those assumptions are violated by the data, we may be able to offer a response to Leamer's critique. This will reduce the possibility of supplying "empirical proofs" which in turn may increase the trust in econometric research.