Background on Chan (2017)

Applied Microeconomics

Hans-Martin von Gaudecker & Florian Zimmermann

U.S. Means-tested transfer programmes

- In-kind: SNAP (Food stamps)
- Medicaid
- SSDI
- TANF

Family Transition Programme

- Policy experiments during the ADFC → TANF transition
- Main experimental features:
  - Vary time limits on transfers
  - Vary tapering rates
- Research Question: How do these features translate into length of welfare receipt and why?

Structural estimation

- Continuous choice: Euler equation estimation
- Discrete choice: Solve dynamic programme (DCDP)
- Discrete-continuous: Solve dynamic programme
- Result: Prediction of individual behaviour given
  - circumstances (covariates)
  - preference parameters (to be estimated)

Estimation strategies

- Maximum likelihood
- Generalised Method of Moments
- Simulated Method of Moments
- Indirect inference

How to introduce randomness

- OLS: additive "error"
- Not innocuous in non-linear models
- Additively separable from utility?
- Constant over time?