

September 25, 2012

**Economics of Poverty
Capstone Course
ECON 4961-01/Writing Intensive Course 4881-01
FALL 2012
Time: Tuesday 2 – 4:30
Location: Tilton 307**

Instructor

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Office Hours: M 1:30- - 2:30 or by appointment. To request an appointment please send an email to the above address.

Teaching Assistant

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Course Description

This course presents an overview of poverty analysis and how it is applied by multilateral organizations. Topics include measuring poverty, analyzing the characteristics of the poor, and assessing policies to reduce poverty. Using the World Bank's poverty assessments as a model, students will learn to prepare a basic poverty assessment for a developing country. Students will also learn basic poverty analysis techniques using the statistical software package Stata.

Pre-requisites: Intermediate Micro and Macroeconomics. No prior knowledge of Stata is necessary.

Objective and Learning Outcomes

The purpose of this course is to learn how to prepare an analytical synthesis of the existing body of knowledge on topics covered in a poverty assessment. In particular, by the end of the semester students should have learned to prepare:

- i. An assessment of the poverty situation in a particular country, including a poverty profile.
- ii. An analysis of the determinants of poverty in a particular country, including the impact on poverty of growth or its lack thereof.
- iii. An assessment of the impact on poverty of public policy in a particular country.
- iv. Their own estimations of poverty in a particular country, as well as a basic poverty profile and incidence analysis for that country, using the Stata software.

Program Outcomes

This course contributes to the program outcomes for the BA and BS degrees in Economics by allowing students to demonstrate competency in specialized areas in economics (poverty analysis).

Organization

The course will be conducted as a seminar. Students are expected to actively participate in class and interact with the instructor and each other. Careful and critical reading of the materials is a key component of this course.

Readings

Reading materials will be posted on blackboard (tulane.blackboard.com) or they can be downloaded or obtained from the library.

Technology

You will need to look for data during class so please bring a laptop set up to use Tulane's network or use computers available in the classroom.

Evaluation and Grading

The evaluation is based on a *midterm* exam and an *assignment*.

The *midterm* consists of ten short questions on material covered during the first part of the course.

The *assignment* consists of in-class workshops and a submission of a Poverty Assessment at the end of the course. The class will be divided in teams. Each team will work on a particular country

September 25, 2012

chosen from the following list: Brazil, China, Mexico, and South Africa. The grade for the assignment shall be the same for all members of the team, except for those students enrolled in the writing practicum.

The *due date* for the Poverty Assessment is: *December 11*. If a student cannot deliver the paper by the due date, s/he must produce signed evidence of a medical or family emergency. Without such evidence, the grade for the spreadsheet/paper will equal F.

Grading. The midterm will count for 50 percent of the grade. Active participation in the in-class workshops and the Poverty Assessment will count for another 50 percent.

Attendance, punctuality and participation in class are required. Students are allowed to miss only one class without excuse. If more than one class is missed (fully or partially), students will be excused only for valid medical or family emergencies. Students must produce signed evidence by the proper authority verifying the reason why they missed or were late to a class. Without the signed evidence, 5 percent will be subtracted from final grade for each missed class. If a student misses 4 classes or more, s/he will receive an incomplete for the course. Students are not supposed to use cell phones or computers except as required by the course while in class.

Poverty Assessment

- The poverty assessment should be of around 10 pages (written as a team, double space and font size 12, including references, tables and figures) and is **due on December 11**.
- The final paper will count as 40 percent of the grade and should be submitted in electronic version by email. If a team does not deliver the poverty assessment by the due date, the grade for this assignment will be reduced at a rate of 25 percent per day for all the members of the team. Students will be excused only for valid medical or family emergencies. Students must produce signed evidence by the proper authority verifying the reason why they missed the deadline.
- **Intensive writing requirement:** For students who are taking the course to fulfill the intensive writing requirement, the poverty assessment should be of around 20 pages (written **individually**, double space and font size 12, including references, tables and figures), and the first draft is **due November 20**. Students taking the course to fulfill the intensive writing requirement must enroll in the writing practicum.

Academic honesty

All students must be familiar with and abide by Tulane's Code of Academic Conduct, which is available online at <http://college.tulane.edu/code.htm>.

Schedule and Readings

Session 1: August 28 – Ethics, Concepts, Measurement and Trends in Poverty and Inequality

- Sen, Amartya. 1992. *Inequality Reexamined*. Russell Sage Foundation. Chapter 1: "Equality of What?"
- Parfit, Derek. 2000. "Equality or Priority," in Clayton, Matthew and Andrew Williams (eds.) *The Ideal of Equality*. St. Martin's Press, New York, Chapter 5, p. 81.
- World Bank, *World Development Report 2000/01: Attacking Poverty*. (Overview chapter) <http://siteresources.worldbank.org/INTPOVERTY/Resources/WDR/overview.pdf>
- Haughton, Jonathan and Shahidur R. Khandker. 2009. *Handbook on Poverty and Inequality*, World Bank; chapters 1-13. <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPA/0,,contentMDK:22405907~menuPK:6626650~pagePK:148956~piPK:216618~theSitePK:430367,00.html>
- Ferreira, Francisco H. G. and Martin Ravallion. 2008. "Global Poverty and Inequality: A Review of the Evidence." Policy Research Working Paper 4623. The World Bank, Development Research Group Poverty Team, May.
- Chen, Shaohua and Martin Ravallion. 2008. "The Developing World Is Poorer Than We Thought, But No Less Successful in the Fight against Poverty." Policy Research Working Paper 4703. The World Bank. <http://www.probeinternational.org/files/The%20developing%20world.pdf>

September 25, 2012

- Lustig, Nora. 2011. "Multidimensional indices of achievements and poverty: what do we gain and what do we lose? An Introduction to JOEI Forum on multidimensional poverty." *Journal of Economic Inequality*, June.

Recommended:

Banerjee, Abhijit and Esther Duflo. 2011. *Poor Economics*. MIT Press.

Note: The next session will be the first Stata session; it is essential that you read the two readings listed under Session 2 before class.

Session 2: September 4 – Household Survey Data Preparation and Processing in Stata

- Houghton, Jonathan and Shahidur R. Khandker. 2009. *Handbook on Poverty and Inequality*, World Bank, Appendix 2
- Szekely, Miguel et al. 2004. "Do We Know How Much Poverty There Is?" *Oxford Development Studies* 32, no. 4: 523-558.

Session 3: September 11 – Concepts, Measurement and Trends in Poverty and Inequality: Evolution of Inequality and Poverty (Readings: Session 1)

Session 4: September 18 – In-class Workshop: Poverty Measures; Converting lines from PPP into LCU (and vice versa)

- Use spreadsheets under Assignments in Blackboard.

Session 5: September 25 – In-class Workshop: Evolution of Poverty in Brazil, China, Mexico and South Africa; Introduction to Inequality Measures

- OECD. 2010. *Tackling inequalities in Brazil, China, India and South Africa: The role of labour market and social policies*. OECD Publishing, doi: 10.1787/9789264088368-en.
- Poverty Assessments:<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPA/0,,contentMDK:20210352~menuPK:435735~pagePK:148956~piPK:216618~theSitePK:430367,00.html>
- Country-specific folders in Blackboard under "Readings."
- Use spreadsheets under Assignments in Blackboard.
- For Inequality measures, Houghton, Jonathan and Shahidur R. Khandker. 2009. Chapter 6.

Session 6: October 2 – In-class Workshop: Poverty Profile for Brazil, China, Mexico and South Africa

- Houghton, Jonathan and Shahidur R. Khandker. 2009. Chapter 7.
- Poverty Assessments:<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPA/0,,contentMDK:20210352~menuPK:435735~pagePK:148956~piPK:216618~theSitePK:430367,00.html>
- Country-specific folders in Blackboard under "Readings."

Session 7: October 9 – In-class Presentations by Teams: Evolution of Poverty and Poverty Profiles

Session 8: October 16 – Anti-Poverty Policies

- Houghton, Jonathan and Shahidur R. Khandker, *Handbook on Poverty and Inequality*, chapter 9.
- Winters, Alan L., Neil McCulloch and Andrew McKay. 2004. "Trade Liberalization and Poverty: The Evidence so Far," *Journal of Economic Literature*, Vol. 42.
- Goldberg, Pinelopi Koujianou and Nina Pavcnik. 2007. "Distributional Effects of Globalization in Developing Countries." *Journal of Economic Literature*, Vol. 45, March, pp. 39–82.

September 25, 2012

- Verdier, Thierry. 2005. "Socially Responsible Trade Integration", in F. Bourguignon, B. Pleskovic and A. Sapir (eds), *Proceedings of the Annual Bank Conference in Development Economics, "Are we on Track to Achieve the Millennium Development Goals?"*, pp. 61-111, The World Bank and Oxford University Press.
- Fiszbein, Ariel and Norbert Schady *with* Francisco H.G. Ferreira, Margaret Grosh, Nial Kelleher, Pedro Olinto, and Emmanuel Skoufias. 2009. *Conditional Cash Transfers. Reducing Present and Future Poverty*, World Bank. Overview chapter, pp. 1-27.
http://siteresources.worldbank.org/INTCCT/Resources/5757608-1234228266004/PRR-CCT_web_noembargo.pdf
- Grosh, Margaret, Carlo del Ninno, Emil Tesliuc, and Azedine Ouerghi. 2008. *The Design And Implementation Of Effective Safety Nets*, World Bank.
- High Level Panel of Experts on Food Security and Nutrition (HLPE). 2012. *Social protection for food security*, United Nations Committee on World Food Security (CFS), June.
http://www.fao.org/fileadmin/user_upload/hlpe/hlpe_documents/HLPE_Reports/HLPE-Report-4-Social_protection_for_food_security-June_2012.pdf
- Chen, Martha, Renana Jhabvala, Ravi Kanbur, Carol Richards. 2006. "Membership Based Organizations of the Poor: Concepts, Experience and Policy, July. Also, SEWA
<http://www.youtube.com/watch?v=awIYz6Is2ns>

Session 9: October 23 – Anti-Poverty Policies (Readings: Session 8) Basic Programming and Poverty Estimation in Stata

- Houghton, Jonathan and Shahidur R. Khandker. 2009. *Handbook on Poverty and Inequality*, World Bank; chapter 4.
- Cameron, A. Colin and Pravin K. Trivedi. 2009. *Microeconometrics Using Stata*. Stata Press; sections 1.6-1.11.

Sessions 10: October 30 – NO CLASS

Session 11: November 6— Incidence Analysis

- Houghton, Jonathan and Shahidur R. Khandker, *Handbook on Poverty and Inequality*, chapter 15.
- Lustig, Nora, George Gray-Molina, Sean Higgins, Miguel Jaramillo, Wilson Jiménez, Veronica Paz, Claudiney Pereira, Carola Pessino, John Scott and Ernesto Yañez. 2012. "The Impact of Taxes and Social Spending on Inequality and Poverty in Argentina, Bolivia, Brazil, Mexico and Peru: A Synthesis of Results." Working Paper, Tulane University.

Session 12: November 13 -- Creating Poverty Profiles and Tables in Stata

- Cameron, A. Colin and Pravin K. Trivedi. 2009. *Microeconometrics Using Stata*. Stata Press; chapter 2 (section 2.4 in particular).

Session 13: November 20 – Midterm Exam

Session 14: November 27 - In-class Workshop: Public Policies in Brazil, China, Mexico and South Africa

Session 15: December 4 – In-class Presentations by Teams: Poverty Assessments

FINAL POVERTY ASSESSMENT DUE TUESDAY DECEMBER 11.

September 25, 2012

ADDITIONAL RESOURCES.

Students are encouraged to make additional suggestions to this list

Stata Tutorials: In addition to the required readings introducing students to Stata (Haughton and Khandker, Appendix 2 and Cameron and Trivedi, sections 1.6-1.11 and chapter 2), students may find the following resources helpful.

http://www.cpc.unc.edu/research/tools/data_analysis/statatutorial (online tutorial)

<http://data.princeton.edu/stata/> (online tutorial)

Cameron and Trivedi, chapter 1.

Haughton and Khandker, appendix 3 (practice problems in Stata).

Coudouel, Aline, Jesko S. Hentschel, and Quentin T. Wodon. 2002. "Poverty Measurement and Analysis." In *A Sourcebook for Poverty Reduction Strategies Volume 1: Core Techniques and Cross-Cutting Issues*, edited by Jeni Klugman. Washington, D.C.: World Bank. Sections 1.1, 1.2, and 1.5.

http://siteresources.worldbank.org/INTPRS1/Resources/383606-1205334112622/5467_chap1.pdf

Deaton, Angus and Salman Zaidi. 2002. "Guidelines for Constructing Consumption Aggregates for Welfare Analysis." Section 5. http://siteresources.worldbank.org/INTPRS1/Resources/Thematic-Workshops/415743-1089658785131/Training_2001-27-02_Deaton_ConsumpAgg_doc.pdf

Data sources:

- CEPALSTAT/ BADEINSO (Base de Datos de Estadísticas e Indicadores Sociales, Económicos y Medio Ambientales)
<http://websie.eclac.cl/sisgen/ConsultaIntegrada.asp?idAplicacion=1>. Available in English.
- SEDLAC (Socio Economic Database for Latin America and the Caribbean, CEDLAS and World Bank). Available in English.
<http://www.depeco.econo.unlp.edu.ar/sedlac/eng/index.php>
- UNDP (United Nations Development Program)/ Human Development Reports
<http://hdr.undp.org/en/>
- UNDP/ Millennium Development Goals Monitor <http://www.mdgmonitor.org/>
- WORLD BANK/ Poverty Net/POVCAL
<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/0,,menuPK:336998~pagePK:149018~piPK:149093~theSitePK:336992,00.html>
- WORLD BANK/ World Development Indicators <http://ddp-ext.worldbank.org/ext/DDPQQ/member.do?method=getMembers&userid=1&queryId=135>
- Public Expenditure Review "homepage" includes information on process, substance, as well as scrolling down you will find a table with all the reviews per region.
<http://go.worldbank.org/2NYPVF0QT0>
- OECD—SOCIAL EXPENDITURES COMPENDIUM
http://www.oecd.org/document/9/0,3746,en_2649_34637_38141385_1_1_1_1,00.html#related_data
- ILO Social Security Inquiry http://www.ilo.org/dyn/ilossi/ssimain.home?p_lang=en