Distribution and Redistribution of Income
Independent Study (3 credits)
Graduate Course
ECON 7990-74 (Rodrigo Aranda) and 7990-11 (Ali Enami)
Fall 2014
Time: Friday 11am-2pm or Tu 9am-12pm
Location: 204 Tilton Hall

Instructor
Nora Lustig
Samuel Z. Stone Professor of Latin American Economics
204 Tilton Hall
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Office Hours: Tu 1:30-2:30 or by appointment. To request an appointment please send an email to the above address.

Stata Tutorials: Rodrigo Aranda, raranda@tulane.edu.

Course Description
This course covers the quantitative analysis of inequality and poverty measures; theories of income distribution; decomposition methods; and, the theory and practice of fiscal incidence analysis. Students will learn theories and methods, and apply them to a particular country.
Pre-requisites: Doctoral level Microeconomics, Macroeconomics and Econometrics.

Objective
The objective of the course is to train students in the quantitative analysis of inequality and poverty.

Learning Outcomes
  i.   Understand and apply quantitative approaches to poverty and inequality measures
  ii. Understand and apply theories of income distribution
  iii. Identify proximate determinants of inequality and poverty through decomposition techniques
  iv. Understand and apply fiscal incidence analysis
  v.   Produce a first draft of fiscal incidence analysis on a country of choice to be used as input for field paper and one dissertation essay.

Program Outcomes
This course contributes to the program outcomes for the Ph.D. degree in Economics by allowing students to demonstrate competency in their field of concentration: inequality and poverty analysis.

Readings
Books
  • Atkinson, Anthony B. and Francois Bourguignon, eds. 2000. *Handbook of Income Distribution*. North Holland.
  • Bourguignon, Francois, Francisco Ferreira and Nora Lustig. 2005. *The Microeconomics of Income Distribution Dynamics in East Asia and Latin America*, Oxford University Press, Washington, DC.
  • Duclos, Jean-Yves and Abdelkrim Araar. 2006. *Poverty and Equity: Measurement, Policy, and Estimation with DAD*. New York: Springer and International Development Research Centre.
  • Haughton, Jonathan and Shahidur R. Khandker. 2009. *Handbook on Poverty and Inequality,* World Bank. (available online)
  • Lambert, Peter. 2001. *The Distribution and Redistribution of Income*. Third Edition. Manchester University Press.
  Articles: to be added as appropriate during the course

Organization
The course will be conducted as a seminar and there will be several in-class workshops and Stata tutorials. Careful and critical reading of the materials is a key component of this course. The class will consist of lectures and workshops, four Stata sessions and two in-class presentations.

Technology
You will need to look for data during class so please bring a laptop. Stata 13.

Evaluation and Grading
The evaluation is based on the **in-class presentations and participation (50 percent) and the fiscal incidence exercise[1] (50 percent) due on December 1**.

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

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Schedule and Readings
August 15, 18 and 22; September 12, 16 (Tuesday) and 26 (Prof. John Roemer – via Skype)
Part I – Inequality and Poverty: Measurement and Theories

- Atkinson, A. B., & Bourguignon, F. (Eds.). (2000). Handbook of income distribution (Vol. 1). Elsevier. Chapters 1, 2, 7, 8 and 13. From now on Handbook.

- Haughton, Jonathan and Shahidur R. Khandker. 2009. *Handbook on Poverty and Inequality,* World Bank; chapters 1- 6. From now on H/K
http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPA/0,,contentMDK:22405907~menuPK:6626650~pagePK:148956~piPK:216618~theSitePK:430367,00.html

- Duclos, Jean-Yves and Abdelkrim Araar. 2006. *Poverty and Equity: Measurement, Policy, and Estimation with DAD.* New York: Springer and International Development Research Centre. Chapters 1-6. From now on D/A

- Lambert: Chapters 1-6.

- Cowell, F. (2011). Measuring inequality. Oxford University Press.

October 3 (Friday), 7 (Tuesday), 14 (Tuesday), 17 (Prof. Stephen Younger), 24, 28 (Tuesday), – November 11 (Tuesday), 25 (Tuesday)

Part II – Fiscal Incidence Analysis

- D/A: Chapters 7 and 8

- Lambert: Chapters 7-11

- Handbook: Chapter 12

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[1] An outline for this exercise is provided: "Incidence Analysis Presentation Outline_Lustig Section Annotated Outline Aug 15%2c 2014.docx"

Table 1: Agenda

Meeting			Topics (lead discussant)	Relevant link(s)[2]	Last Modification Info
Date	**Time**	**Location**			
August 15	1:30-5pm	Tilton 307	D/A Chapters 3, 4 & 5 (Ali)	Link to D/A: http://www.ecn.ulaval.ca/~jyves/publications/pedag.pdf	Aug-13, 00:45am, by Ali
August 18	3-6pm	House	D/A Chapters 3, 4 & 5 (Ali)	See above	Aug-17, 06:45pm, by Ali
August 22	2-5pm	House	D/A Chapters 4 & 5 (Ali)	See above	Aug-20, 10:50pm, by Ali
September 12	11-2pm	Tilton 307	TBD	TBD	Aug-20, 10:50pm, by Ali
September 16	Cancelled	Cancelled	Cancelled	Cancelled	Sept-15, 2:00pm, by Ali
September 26	TBD	TBD	Professor Roemer	For_Dr.Roemer.pdf in the Reference folder	Sept-25, 9:00am, by Ali
October 3	11-2pm	Tilton 307	1. Determining and Comparing Progressivity and Redistributive Effects 2. Shapley Values Paper 3. MWB Assignment 2 check for Iran and Mexico 4. Brown University Conference		Oct-1, 12:00pm, by Rodrigo
October 7	7:30am	House			Oct-6, 11:00pm, by Rodrigo
October 14	8:15	House	Professor Duclos	Oct 3 folder in Sessions (Dropbox)	Oct-7, 08:30pm, by Rodrigo
October 17	11-2pm	Tilton 307	Professor Younger: "Incorporating behavioral responses to a fiscal incidence analysis with a focus on demand for services"		Aug-17, 06:45pm, by Ali
October 24	11-2pm	Tilton 307	-Progress on the analytical section (the spreadsheet and text) -Status of the "Shapley issue." -Status of incidence analysis in Iran and Mexico -"value added" in respective essays: takeaway from Younger's session	Oct 24 in Sessions (Dropbox)	Oct-20, 10:50pm, by Rodrigo

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[2] Please let the "owner" (Rodrigo for now) know if any of the links doesn't work

			-paper with Chakravarty		
October 28	8:30-10:30	House	Ali 8:30-9:30 Iran incidence analysis Rodrigo 9:30-10:30 Mexico incidence analysis	-	Oct-26, 10:00pm, by Rodrigo
November 18	TBD	TBD	TBD	TBD	Aug-20, 10:50pm, by Ali
November 25	9:00-11:00	Nora's Office	TBD	TBD	Nov-24, 10:00pm, by Rodrigo

Table2: Questions discussed in the meetings and relevant information

Question's title	Short description	Latest information	Last Modification Info
Shapley inconsistency	In order to calculate Shapley value for individual effects of a group of taxes and transfers, It is expected that the individual effect of a particular tax/transfer doesn't depend on how the rest of the transactions are grouped (or separated). A toy example failed to show it, why?	Rodrigo and Yang have the problematic toy example Ali found a paper that clearly states that Shapley value is sensitive to the level of aggregation and includes methods to face this problem (see "S&T2002.docx") An example of Shapley decomposition is added by Rodrigo (see "Shapley poverty 081514 RAB.xlsx") We are looking for alternative (or improved) methods to simple Shapley, currently considering: Nested Shapley and Owen decomposition.	Aug-17, 6:45pm, by Ali
Inequality increasing progressive tax & transfers	A progressive (i.e. pro poor) tax and transfer beyond the absolute equalization point (i.e. where everybody has the same level of income) increases the inequality. A toy example shows this phenomenon. This is problematic because currently the policy recommendation to governments is that a progressive tax-transfer policy is always good. What are the necessary/sufficient conditions for a progressive policy to not increase inequality?	Professor Lustig has the toy example. Ali thinks this problem is not limited to the case of absolute equalization. A link related to this comment will be provided soon.	Aug-13, 00:45am, by Ali