

Economics of Poverty – Spring 2018
ECON 4961-01/ ECON 6971-01
Undergraduate/Graduate Course
Time: Monday 11am-1:30pm
Location: Tilton 307

Instructor

Nora Lustig
Samuel Z. Stone Professor of Latin American Economics
204 Tilton Hall
nlustig@tulane.edu

Office Hours: M 1:45-2:45pm or by appointment. To request an appointment please send an email to the above address.

Teaching Assistant and Stata Tutorials: Rodrigo Aranda, raranda@tulane.edu.

I. Course Description

This course presents an overview of inequality and poverty analysis with a focus on two main themes: measurement challenges and fiscal policy. Students will learn fiscal incidence methods and how to apply them to actual countries. Students will also learn basic inequality and poverty analysis techniques using the statistical software package Stata. **Pre-requisites:** Intermediate Micro and Macroeconomics. No prior knowledge of Stata is required.

II. 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:

- i. The basic analytics of poverty and inequality measures, and main measurement challenges.
- ii. Main trends in the evolution of poverty and inequality in the world.
- iii. To prepare a Commitment to Equity (CEQ) Assessment in a particular country.
- iv. To prepare their own estimations of inequality and poverty as well as applying fiscal incidence analysis in a particular country, using the Stata software.

III. Program Outcomes

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

IV. Organization

The course will be conducted as a seminar and there will be several in-class workshops and Stata tutorials. 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.

V. Readings

Most of the reading materials can be downloaded or will be posted in a shared Dropbox folder. Other readings are available through the library (stacks or online).

VI. Technology

Students 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.

You will need a Dropbox account to access all the class materials. To open a Dropbox account, you can go to www.dropbox.com and open a free account.

VII. Evaluation and Grading

- **Midterm exam (40 percent)**
- **In-class presentations and participation (30 percent)**
- **CEQ Assessment (30 percent).**

The **midterm exam** is scheduled for M February 26 and will be comprised of questions on the material and readings covered until then. Midterm exams can be rescheduled only for valid medical or family emergencies. Students must produce signed evidence by the proper authority verifying the reason why they missed the exam. Without such evidence, the grade will be an F.

For the **CEQ Assessment** assignment:

- Each student will work on a particular country chosen from the CEQ countries (www.commitmentoequity.org).
- Each student must prepare a spreadsheet with data on inequality and poverty, budgetary data, and fiscal incidence results for their country. Students will be shown how to search, compile, and organize the data during the class and labs.
- Each student must do an in-class powerpoint presentation following the structure of a CEQ Assessment.
- Each student must submit the powerpoint slides and spreadsheet to instructor with a copy to the TA the day prior to the presentation. Failing to submit will result in a reduction of the grade at the rate of 25 percent per day. 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. Without such evidence, the grade will be an F.

For students taking the course at the **graduate level**:

In addition to the above, each student must prepare a CEQ Assessment in the form of a paper. The paper should be between **8-10** pages maximum (in double space and font size 12) including the references, tables and figures. Please make sure to put your name and date in the top right-hand corner on first page. Papers should include a section with bibliographical references. Tables and figures should have proper titles and include sources (including the page numbers of the source when applicable) and add as many explanatory notes as needed. **The paper is due by F May 11 5pm (CST).** Please submit electronically with a copy to the TA. If a student does not deliver the paper by the due date, the grade for this assignment will be reduced at a rate of 25 percent per day. 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. Without such evidence, the grade will be an F..

VIII. Attendance, punctuality and active 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, the student will receive an incomplete for the course.

Students are expected to be punctual and stay for the duration of the entire class. If a student must be late to a class or leave early, please request the instructor's permission in writing.

Students must turn cell phones off during class. Social media or internet should not be consulted during class except as required by the course. The use of cell phones, social media, or internet for unauthorized purposes will result in a deduction of 5 percent from the final grade for each violation.

There will be a 10-minute break during each session. Students are expected to remain in the room during the entire class unless exceptional circumstances require them to be excused.

IX. Code of Conduct

Tulane University recognizes the inherent dignity of all individuals and promotes respect for all people. As “One Wave,” Tulane is committed to providing an environment free of all forms of discrimination based on race, ethnicity, creed, religion, gender, gender identity and sexual orientation, as well as all forms of sexual harassment, including sexual assault, domestic and dating violence, and stalking. If you (or someone you know) has experienced or experiences discrimination, domestic violence, sexual assault or sexual harassment, know that you are not alone. Resources and support are available. Learn more at onewave.tulane.edu. Any and all of your communications on these matters will be treated as either “Strictly Confidential” or “Mostly Confidential” as explained in the chart below.”

<i>Except in extreme circumstances, involving imminent danger to one’s self or others, nothing will be shared without your explicit permission.</i>	<i>Conversations are kept as confidential as possible, but information is shared with key staff members so the University can offer resources and accommodations and take action if necessary for safety reasons.</i>
Counseling & Psychological Services (CAPS) (504) 314-2277	Coordinator of Violence Prevention (504) 314-2161
Student Health Center (504) 865-5255	Tulane University Police (TUPD) (504) 865-5911
Sexual Aggression Peer Hotline and Education (504) 654-9543	Office of Institutional Equity (504) 862-8083

X. 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>

Note in particular: "Unless explicitly allowed by the instructor, electronic devices (such as cell phones, notebooks, calculators, etc.) are not allowed to be out of backpacks or purses during quizzes and exams. These electronic devices must be packed away and turned off. Any student who is caught with one of these devices out will have his/her test taken and will be charged with the Honor Code violation of cheating."

XI. Schedule and Readings

January 22 – Concepts, Measurement, and Trends

Concepts and Measurement: Poverty and Inequality

- Houghton, Jonathan and Shahidur R. Khandker. 2009. *Handbook on Poverty and Inequality*, World Bank; chapters 1-5.
<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPA/0,,contentMDK:22405907~menuPK:6626650~pagePK:148956~piPK:216618~theSitePK:430367,00.html>

January 29 - Concepts, Measurement, and Trends

Concepts and Measurement: Poverty and Inequality

- Houghton, Jonathan and Shahidur R. Khandker. 2009. *Handbook on Poverty and Inequality*, World Bank; chapter 6 and 8.
<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPA/0,,contentMDK:22405907~menuPK:6626650~pagePK:148956~piPK:216618~theSitePK:430367,00.html>

- More advanced reading: Duclos, Jean-Yves and Abdelkrim Araar. 2006. *Poverty and Equity*. New York: Springer. Part II.

Trends: International Comparisons

- Ferreira, F. H. G. 2016. “Measuring Global Poverty. Past, Present and Future,” Powerpoint Presentation, 7th Bolivian Conference on Development Economics La Paz, December 9.
- World Bank (2016), *Poverty and Shared Prosperity 2016: Taking on Inequality*, Washington, DC: World Bank, <https://openknowledge.worldbank.org/handle/10986/25078>
- Houghton, Jonathan and Shahidur R. Khandker. 2009. *Handbook on Poverty and Inequality*, World Bank; chapter 10.

Note: The next session will be the first Stata tutorial; it is essential that you read the material before class.

February 5 – LAB and Stata Tutorial (Rodrigo Aranda): Household Survey Data Preparation and Processing in Stata

- Houghton, Jonathan and Shahidur R. Khandker. 2009. *Handbook on Poverty and Inequality*, World Bank, Appendix 2, Chapter 4.

February 12 – MARDI GRAS BREAK: NO CLASS

February 19 - - Concepts, Measurement, and Trends

Measurement Challenges: Comparability Issues, the Missing Bottom, and the Missing Rich

- Lustig, Nora. Forthcoming. “Measuring the distribution of household income, consumption and wealth: state of play and measurement challenges,” chapter in forthcoming *For Good Measure: Advancing Research on Well-Being Metrics Beyond GDP*, edited by Martine Durand, Jean-Paul Fitoussi, and Joseph E. Stiglitz, OECD report by the High-Level Expert Group on Measuring Economic Performance and Social Progress.
- Atkinson, A. B. 2016. *Monitoring Global Poverty, Report of the Commission on Global Poverty*, World Bank, Washington, DC: World Bank.
- Ferreira F. H. G., S. Chen, A. Dabalén, Y. Dikhanov, N. Hamadeh, D. Jolliffe, A. Narayan, E. B. Prydz, A. Revenga, P. Sangraula, U. Serajuddin and N. Yoshida (2016), “A global count of the extreme poor in 2012: data issues, methodology and initial results,” *The Journal of Economic Inequality* 14 (2), pp. 141-172.
- Ferreira, F. H. G., N. Lustig and D. Teles (2015), “Appraising Cross-National Income Inequality Databases: An Introduction,” in Ferreira, F. H. G. and N. Lustig, *Appraising Cross-National Income Inequality Databases*, special issue, *Journal of Economic Inequality* 13 (4), pp. 497-526.
- Lustig, N. (Forthcoming), “The Missing Rich in Household Surveys: Causes and Correction Methods,” CEQ Working Paper 75 (Commitment to Equity (CEQ) Institute, Tulane University).
- Alvaredo, F. (2011), “A Note on the Relationship Between Top Income Shares and the Gini Coefficient,” *Economics Letters* 110 (3), pp. 274-277.

February 26– MIDTERM

March 5 – Redistributive Policies Through Taxation and Public Spending: Fiscal Incidence Analysis

- Bourguignon, François and Luiz A. Pereira da Silva, eds. 2003. *The Impact of Economic Poverty and Income Distribution*, Washington: World Bank. Introduction, Chapters 1-3.

- Lustig, Nora (editor). Forthcoming. *Commitment to Equity Handbook. Estimating the Impact of Fiscal Policy on Inequality and Poverty*. Brookings Institution Press and CEQ Institute. (advanced on-line edition available by clicking <http://www.commitmenttoequity.org/publications-ceq-handbook/>). Introduction and Chapters 1 and 10.
- Inchauste, Gabriela and Nora Lustig, editors. 2017. *The Distributional Impact of Taxes and Transfers. Evidence from Eight Low- and Middle-Income Countries*, 2017, Washington DC: World Bank. <http://www.worldbank.org/en/events/2017/09/07/the-distributional-impacts-of-taxes-and-transfers>
- Other readings from www.commitmenttoequity.org (see country folders under readings)

March 12 – Redistributive Policies Through Taxation and Public Spending: Fiscal Incidence Analysis

- Lustig, Nora (editor). Forthcoming. *Commitment to Equity Handbook. Estimating the Impact of Fiscal Policy on Inequality and Poverty*. Brookings Institution Press and CEQ Institute. (advanced on-line edition available by clicking <http://www.commitmenttoequity.org/publications-ceq-handbook/>). Introduction and Chapters 6 and 8.
- Higgins, Sean and Nora Lustig. 2016. “Can a poverty-reducing and progressive tax and transfer system hurt the poor?” *Journal of Development Economics* 122, 63-75.

March 19 – LAB and Stata Tutorial: Fiscal Incidence Analysis (Rodrigo Aranda)

- Lustig, Nora (editor). Forthcoming. *Commitment to Equity Handbook. Estimating the Impact of Fiscal Policy on Inequality and Poverty*. Brookings Institution Press and CEQ Institute. (advanced on-line edition available by clicking <http://www.commitmenttoequity.org/publications-ceq-handbook/>). Introduction and Chapters 6 and 8. Part IV.

March 26 and April 2 – SPRING BREAK: NO CLASS

April 9 – Bringing it All Together: Evolution, Determinants, and Fiscal Redistribution

April 16 – In-class Presentations and Discussion

April 23 – In-class Presentations and Discussion

April 30 – In-class Presentations and Discussion

XII. Data Sources and Additional Resources

Databases

Students are encouraged to make additional suggestions to this list

ATG (All the Ginis); <http://data.worldbank.org/data-catalog/all-the-ginis>
CEPALSTAT (UN Economic Commission for Latin America and the Caribbean),
http://estadisticas.cepal.org/cepalstat/WEB_CEPALSTAT/Portada.asp
CEQ Standard Indicators (Commitment to Equity Institute, Tulane University),
<http://www.commitmenttoequity.org/indicators.php>
EUROMOD (University of Essex), <https://www.euromod.ac.uk/>
GCIP (Global Consumption and Income Project), <http://gcip.info/>
 The GINI Project, http://www.gini-research.org/articles/data_2

IDD (Income Distribution Database/OECD), <http://www.oecd.org/social/income-distribution-database.htm>

LIS/LWS (Luxembourg Income Study), <http://www.lisdatacenter.org/our-data/lws-database/>

Pew Research Center (Pew Research Global Attitudes Project), <http://www.pewglobal.org>

PovcalNet (World Development Indicators, World Bank),

<http://iresearch.worldbank.org/PovcalNet/povOnDemand.aspx>

SEDLAC (Socio-Economic Database for Latin America and the Caribbean/CEDLAS at

Universidad Nacional de La Plata and World Bank), <http://sedlac.econo.unlp.edu.ar/>

SWIID (Standardized World Income Inequality Database), <http://fsolt.org/swiid/>

UTIP (University of Texas Income Inequality Project), <http://utip.lbj.utexas.edu/>

WIID (World Income Inequality Database/UNU-WIDER),

<https://www.wider.unu.edu/project/wiid-world-income-inequality-database>

WID.world (The World Wealth and Income Database), <http://wid.world/>

WTID (the World Top Incomes Database),

<http://www.parisschoolofeconomics.eu/en/research/data-production-and-diffusion/the-world-wealth-income-database/>

Other data sources:

- ILO Social Security Inquiry http://www.ilo.org/dyn/ilossi/ssimain.home?p_lang=en
- OECD SOCIAL EXPENDITURES COMPENDIUM
<http://www.oecd.org/social/expenditure.htm>
- 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/2NYPVF0QIT0>
- UNDP (United Nations Development Program)/ Human Development Reports
<http://hdr.undp.org/en/>
- UNDP/ Millennium Development Goals Monitor <http://www.mdgmonitor.org/>

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)

<http://www.ats.ucla.edu/stat/stata/> (online tutorials and resources)

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