

Economics of Poverty
ECON 4680-01/ECON 6680-01
Undergraduate and Graduate Course
Spring 2020
Time: Tuesday 3:30 - 6pm
Location: 103 Dinwiddie Hall

Instructor

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Office Hours: Tu 2-3pm or by appointment. To request an appointment please send an email to the above address.

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Course Description

This course presents an overview of inequality and poverty analysis and the economics of the welfare state. Students will learn basic inequality and poverty analysis techniques using the statistical software package Stata. Students will also learn fiscal incidence methods and how to apply them to actual countries. **Pre-requisites:** Major in Economics; Intermediate Microeconomics, Intermediate Macroeconomics, and Econometrics with a grade of B+ or above. No prior knowledge of Stata is required.

Objective and Learning Outcomes

This course will combine lectures, labs, and student presentations in a seminar format with guided discussions based on readings and country studies. 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. To optimize the interactive nature of this course, the number of students will be kept small.

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: 1. the basic analytics of poverty and inequality measures, and main measurement challenges; 2. main trends in the evolution of poverty and inequality in the world; 3. to prepare an assessment of the poverty situation in a particular country, including a poverty profile; 4. to prepare an assessment of the impact of anti-poverty policies in a particular country; 5. how to assess the impact of taxes and transfers on inequality and poverty in a particular country; and, 6. to prepare their own estimations of inequality and poverty as well as applying fiscal incidence analysis in a particular country, using the Stata software and/or Excel.

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 the following specialized areas in economics: poverty and inequality analysis; economics of the welfare state; fiscal incidence analysis. It contributes to the program outcomes of programs in the Department of Economics by allowing students to develop and demonstrate competency in specialized fields (income distribution and poverty) and gain knowledge on specific countries' poverty profiles and welfare states.

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.

Technology

Students will need to look for data during class so please **bring a laptop set up to use Tulane's network**. 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.

Evaluation and Grading

Preparing a Poverty Assessment and In-class presentations: 40 %

The class will be divided in teams and there will be two types of presentations:

1. Each team will work on a particular topic selected from the readings and lead the discussion based on a series of questions that the own team shall prepare. The presentations must not be a literal restatement of the readings. Rather, they must demonstrate the student's internalization of, and engagement with, the main concepts in the readings.
2. In the last part of the course, students will prepare and present a Poverty Assessment (details below) on a particular country chosen from the following list: [Brazil](#), [China](#), [Ethiopia](#), [Ghana](#), [India](#), [Indonesia](#), [Iran](#), [Mexico](#), [Russia](#), [South Africa](#), [USA](#). (If a student prefers to work on a different country, please consult with the instructor.)

The grade for the in-class presentations shall be the same for all members of the team. Students will be excused from presenting 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.

The **Poverty Assessment** for in-class presentation, spreadsheet, powerpoint slides, and final paper (the paper applies to students taking the course for graduate-level credit only) should include the following sections:

Section 1: Introduction.

Section 2: Evolution and main determinants of inequality and poverty in selected country. Collect information on inequality and poverty from the following three sources for "your" country for as far back as you can: World Bank's POVCAL and Wid.world. Using the existing information and readings describe what happened to inequality and poverty in your country. In particular, please address the following questions: Are there discrepancies in levels or trends among the three sources? If there are, what could be the causes? Which source did you decide to use and why? Based on the source that you chose, what is the evolution of inequality and poverty? Are results sensitive to the use of alternative inequality and poverty measures? Based on your bibliographical research, which factors explain the observed trends in inequality and poverty?

Section 3: Social Protection and Anti-poverty Programs Describe the main characteristics of the social protection system and transfer programs.

Section 4: Assessing fiscal policy's impact on poverty and inequality. Using the Commitment to Equity framework as guidance, assess the extent to which government fiscal policies (taxes and transfers) in your country bring about a significant reduction in poverty and inequality. How progressive are taxes and transfers? How equitable is the access to public education and health? What are the main social programs and their characteristics? How significant is their contribution to reducing inequality and poverty?

Section 5: Conclusions.

References.

NOTE: Please make sure to put your name and date in the top right-hand corner on first page of every document. Powerpoint slides and 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.

Midterm exam February 26: 30%

The midterm will include 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.

Final Assignment: 30 %

Each team must submit the revised and final version of powerpoint slides to instructor by **F May 8 at 5pm (CST)**. Please submit electronically to the instructor with a copy to the TA. If a team does not deliver the final version of the slides 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.

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

In addition to the above, students taking the course for graduate-level credit must submit a final paper written individually. The paper must follow the structure described above for the Poverty Assessment and should be 8-10 pages long (font size 12 and double space) including tables, figures and references. Please make sure to put your name and date in the top right-hand corner of the paper's 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 8 at 5pm (CST)**. Please submit electronically to the instructor 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.

GRADE SCALE: A (96-100) | A- (91-95) | B+ (88-90) | B (84-87) | B- (81-83) | C+ (78-80) | C (74-77) | C- (71-73) | D+ (68-70) | D (64-67) | D- (60-63) | F (below 60)

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 are expected to remain in the room during the entire class unless exceptional circumstances require them to be excused.

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 15-minute break during each session. With the exception of the break, students are expected to remain in the room during the entire class unless exceptional circumstances require them to be excused.

Readings

Anthony B. Atkinson. 2015. *Inequality: What Can Be Done?* Harvard University Press.
Nicholas Barr. 2012. *The Economics of the Welfare State*. Oxford University Press, 5th edition.
Peter Lindert. 2004. *Growing Public*. Cambridge University Press.
Branko Milanovic. 2016. *Global Inequality*, Harvard University Press.
Martin Ravallion. 2016. *The Economics of Poverty. History, Measurement, and Policy*, Oxford University Press.

SCHEDULE AND READINGS

January 14– Concepts and Measurement: Poverty and Inequality

- Haughton, Jonathan and Shahidur R. Khandker. 2009. *Handbook on Poverty and Inequality*, World Bank; chapters 1-5.
<http://documents.worldbank.org/curated/en/488081468157174849/Handbook-on-poverty-and-inequality>
- Ravallion: Chapters 4 and 5.

Further readings:

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

January 21 – Poverty and Inequality Trends

- Poverty and Shared Prosperity 2018: Piecing Together the Poverty Puzzle, Washington, DC: World Bank
<http://documents.worldbank.org/curated/en/104451542202552048/pdf/132029-REVISED-PUB-PUBLIC.pdf>
- Poverty and Shared Prosperity 2016: Taking on Inequality, Washington, DC: World Bank, <http://www.worldbank.org/en/publication/poverty-and-shared-prosperity>
- Milanovic, Chapter 1
- Exploring World Bank's POVCAL and wid.world at the Paris School of Economics

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

January 28 – Measurement Challenges: Comparability Issues, the Missing Bottom, and the Missing Rich

- Ravallion Chapter 3: Section 3.2
- 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. Dabalen, 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,” *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,” *Journal of Economic Inequality* 13 (4), pp. 497-526.

Combining survey and administrative data

- Lustig, Nora. 2018. “Measuring the Distribution of Household Income, Consumption and Wealth” chapter 2 in *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*.
- Lustig, Nora. 2019. [“The ‘Missing Rich’ in Household Surveys: Causes and Correction Approaches.”](#) CEQ Working Paper 75, CEQ Institute, Tulane University, November 2019.
- The Economist, [“Inequality could be lower than you think,”](#) November 28, 2019.
- Alvaredo, F., A. B. Atkinson, T. Piketty and E. Saez (2013), “The Top 1% in International and Historical Perspective,” *Journal of Economic Perspectives* 27 (3), pp. 3-20.
- Atkinson, A. B., T. Piketty and E. Saez (2011), “Top Incomes in the Long Run of History,” *Journal of Economic Literature* 49 (1), pp. 3-71.
- Chancel, L. and T. Piketty (2017), “Indian income inequality, 1922-2015: From British Raj to Billionaire Raj?,” WID.World Working Paper Series No. 2017/11, revised 2018, Paris School of Economics. Published in *Review of Income and Wealth*.
- Higgins, S., N. Lustig, and A. Vigorito (2018), [“The Rich Underreport Their Income: Assessing Biases In Inequality Estimates And Correction Methods Using Linked Survey And Tax Data.”](#) CEQ Working Paper 70, CEQ Institute, Tulane University, September. Also published in ECINEQ, Working Paper 475, September 2018.
- Morgan, M. (2018), “Essays on Income Distribution. Methodological, Historical and Institutional Perspectives,” Ph.D. dissertation, Ecole Doctorale n°465, Ecole des Hautes Études en Sciences Sociales, Paris, France.
- Novokmet F., T. Piketty, and G. Zucman (2017), “From Soviets to Oligarchs: Inequality and Property in Russia 1905-2016,” WID.world Working Paper Series 2017/09, Paris School of Economics.
- Piketty, T. and E. Saez (2003), “Income Inequality in the United States 1913-1998,” *Quarterly Journal of Economics* 118 (1), pp. 1-39.
- Piketty, T., E. Saez, and G. Zucman (2018), “Distributional National Accounts: Methods and Estimates for the United States”, *The Quarterly Journal of Economics*, Volume 133, Issue 2, May 2018, Pages 553–609.
- Piketty, Thomas, Li Yang, and Gabriel Zucman (2019), "Capital Accumulation, Private Property, and Rising Inequality in China, 1978–2015." *American Economic Review*, 109 (7): 2469-96.

February 4 - – Economics of the Welfare State

- Lindert: Parts One and Two
- Barr: Chapters 3 and 4

February 11 -- Anti-Poverty and Redistributive Policies

- Ravallion: Chapters 9 and 10
- Atkinson, Part II

February 18 – LAB and Stata Tutorial: Household Survey Data Preparation and Processing in Stata and Midterm Review

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

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February 25– MARDI GRAS – NO CLASS

March 3 – MIDTERM

March 10 – Measuring the Impact of Taxes and Transfers on Inequality and Poverty: Fiscal Incidence Analysis

- Lustig, Nora. 2019. “Measuring the Distributional Impact of Taxation and Public Spending: The Practice of Fiscal Incidence Analysis.” CEQ Working Paper 24, CEQ Institute, Tulane University, October 2019.
- Gaspar, Vito, Paulo Mauro, and Tigran Poghosyan. 2017. “Lessons from the Old Masters on Assessing Equity and Efficiency: A Primer for Fiscal Policymakers,” IMF Working Papers 214, Washington, DC.
- Lustig, Nora (editor). 2018. *Commitment to Equity Handbook. Estimating the Impact of Fiscal Policy on Inequality and Poverty.* CEQ Institute and Brookings Institution Press. Introduction and Chapters 1, 4, 5, 6, 8 and 10. <http://commitmenttoequity.org/publications-ceq-handbook>
- Inchauste, Gabriela and Nora Lustig, editors. 2017. *The Distributional Impact of Taxes and Transfers. Evidence from Eight Low- and Middle-Income Countries*, Washington DC: World Bank.

March 17 – NO CLASS by Tulane University policy

March 24 – Measuring the Impact of Taxes and Transfers on Inequality and Poverty: Fiscal Incidence Analysis (Students presentations)

March 31 – Fiscal Incidence LAB (individual sessions by team)

April 7 – Spring Break; no class

April 14 – Poverty Assessments: In-class Presentations

April 21 – Poverty Assessments: In-class Presentations

April 28 – Poverty Assessments: In-class Presentations

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), <https://www.parisschoolofeconomics.eu/en/research/data-production-and-diffusion/the-world-inequality-database/>

Other data sources:

- ILO Social Security Inquiry <http://www.ilo.org/sesame/IFPSES.SSDBMenu>
- 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/2NYPVF0QT0>
- 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/INTTPRS1/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/INTTPRS1/Resources/Thematic-Workshops/415743-1089658785131/Training_2001-27-02_Deaton_ConsumpAgg_doc.pdf

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Code of Conduct

Tulane University recognizes the inherent dignity of all individuals and promotes respect for all people. As such, Tulane is committed to providing an environment free of all forms of discrimination including sexual and gender-based discrimination, harassment, and violence like sexual assault, intimate partner violence, and stalking. If you (or someone you know) has experienced or is experiencing these types of behaviors, know that you are not alone. Resources and support are available: you can learn more at titleix.tulane.edu. Any and all of your communications on these matters will be treated as either “Confidential” or “Private” as explained in the chart below. Please know that if you choose to confide in me I am mandated by the university to report to the Title IX Coordinator, as Tulane and I want to be sure you are connected

with all the support the university can offer. You do not need to respond to outreach from the university if you do not want. You can also make a report yourself, including an anonymous report, through the form at tulane.edu/concerns.

<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

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."