



**Fiscal Policy, Inequality and Poverty in the US**  
**ECON 4920-37**  
**Undergraduate**

**Time: to be determined based on need and availability**  
**Location: Skype (faculty on sabbatical leave)**

**Instructors**

Nora Lustig (Samuel Z. Stone Professor of Latin American Economics and Director of Commitment to Equity Institute, Tulane University) – [nlustig@tulane.edu](mailto:nlustig@tulane.edu)

*Office Hours:* By appointment. To request an appointment please send an email to the above address.

**Course Description**

In this course, the student will complete a fiscal incidence exercise for the United States (Commitment to Equity (CEQ) Assessment) using the methodology, Stata package, and workbooks in the relevant chapters in *Commitment to Equity Handbook. A Guide to Estimating the Impact of Fiscal Policy on Inequality and Poverty*, edited by Nora Lustig (Brookings Institution Press and CEQ Institute, Tulane University). Working with Nora Lustig, the student will prepare a report which includes a description of the tax and transfers system, including in-kind transfers in education, health and housing, and the method used to allocate the burden of taxes and the benefits of transfers. The student will apply different methods to “correct” for under-reporting especially at the top of the income distribution and the “missing rich.” The student will carry out policy simulations to assess alternative proposals discussed in the US Congress. The student will develop user-written software to assess the extent of fiscal impoverishment and fiscal gains to the poor associated with alternative policy proposals. The student will carry out fiscal incidence analysis by ethnicity and race. It should be noted, that the workplan may be too ambitious to be completed during the Semester. At the minimum, the student will a. complete the construction of the eight core income concepts; b. complete description of the relevant components of US tax and transfers system; c. produce the table of US revenues and spending; and, c. develop the user-written software to measure fiscal impoverishment and fiscal gains to the poor.

**Pre-requisites:** Intermediate Micro and Macroeconomics. Knowledge of fiscal incidence analysis. Stata proficiency is required.

**Objective and Learning Outcomes**

The purpose of this course is to learn how to complete a fiscal incidence analysis and carry out policy simulations for the United States. By the end of the semester the student should have learned:

- i. How to clean survey/s needed to complete a fiscal incidence exercise.

- ii. How to find and describe administrative information used in the fiscal incidence exercise.
- iii. How to find and describe information on the relevant components of the fiscal system.
- iv. How to allocate taxes and transfers to specific households given data limitations.
- v. How to prepare and test user-written software.
- vi. How to carry out policy simulations.

### **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 (fiscal incidence analysis and software development).

### **Organization**

The course will be conducted as a seminar and the student is expected to produce weekly reports on topics covered.

### **Technology**

You will need access to a state-of-the-art computer and to Stata 13.1 or above.

### **Evaluation and Grading**

The evaluation will be based on submission of a. complete the construction of the eight core income concepts; b. complete description of the relevant components of US tax and transfers system; c. produce the table of US revenues and spending; and, c. develop the user-written software to measure fiscal impoverishment and fiscal gains to the poor.

### **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>

### **“One Wave” Policy**

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](http://onewave.tulane.edu).

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### **Readings**

#### **Methodology**

*Textbook:* Lustig, Nora. Forthcoming. *Commitment to Equity Handbook. A Guide to Estimating the Impact of Fiscal Policy on Inequality and Poverty*, (Brookings Institution Press and CEQ Institute, Tulane University), Chapters 1 – 8 and relevant sections of Part IV.

Barr, Nicholas. 2012. *The Economics of the Welfare State*. Oxford University Press.

Gruber, Jonathan. 2015. *Public Finance and Public Policy*, Fifth Edition. Massachusetts Institute of Technology.

Higgins, Sean and Nora Lustig. 2016. “Can a Poverty-Reducing and Progressive Tax and Transfer System Hurt the Poor?” *Journal of Development Economics* 122, pp. 63-75.

Higgins, Sean, Nora Lustig, Whitney Ruble and Timothy M. Smeeding. 2016. “Comparing the Incidence of Taxes and Social Spending in Brazil and the United States.” *Review of Income and Wealth* 62, pp. S22-46.

## **Education**

Barr, chapters 11 and 12.

## **Health**

Barr, chapter 10.

Gruber, chapters 15 and 16.

“Health Law Repeal Could Cost 18 Million Their Insurance, Study Finds,” NYT, Jan 17, 2017.

Congressional Budget Office.

## **Housing**

## **Old-age Pensions in Contributory System**

Gruber, chapters 12 and 13.

## **Taxes**

Gruber, chapters 18-25 (focus on 18 and 19 at first)

## **Transfers and Subsidies**

Barr, chapter 8.

Gruber, chapter 17.

## **Unemployment Insurance, Disability Insurance, and Workers’ Compensation**

Barr, chapter 6.

Gruber, chapter 14.

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## **ADDITIONAL RESOURCES.**

**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](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](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](http://siteresources.worldbank.org/INTPRS1/Resources/Thematic-Workshops/415743-1089658785131/Training_2001-27-02_Deaton_ConsumpAgg_doc.pdf)

### **Data sources:**

*Students are encouraged to make additional suggestions to this list*

- See the document with links to inequality and poverty datasets posted in Dropbox.
- ILO Social Security Inquiry  
[http://www.ilo.org/dyn/illossi/ssimain.home?p\\_lang=en](http://www.ilo.org/dyn/illossi/ssimain.home?p_lang=en)
- OECD—SOCIAL EXPENDITURES COMPENDIUM  
[http://www.oecd.org/document/9/0,3746,en\\_2649\\_34637\\_38141385\\_1\\_1\\_1\\_1,0.html#related\\_data](http://www.oecd.org/document/9/0,3746,en_2649_34637_38141385_1_1_1_1,0.html#related_data)
- 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/>