Distribution and Redistribution of Income  
Independent Study (3 credits)  
Graduate Course  
ECON 7990-11 and ECON-7990-74  
Spring 2015  
Friday 11am-2pm  
Location: 204 Tilton Hall

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

Office Hours: M 1:30-2:30 or by appointment.

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

Course Description  
A sequel to ECON7990-11 and ECON7990-74, 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, Econometrics and either ECON7990-11 or ECON7990-74.

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  

• Deaton, Angus, and John Muellbauer. 1980. *Economics and Consumer behavior*, Cambridge University Press. Chapter 2 presents basic duality theory. Chapter 7 presents the basics of consumer surplus, compensating variations, etc.


**Articles**


• Guillaume, Dominique M., Mohammad Reza Farzin, and Roman Zytek. 2011. *Iran: The chronicles of the subsidy reform*. International Monetary Fund.


• Urzúa, C. 2012. *Fiscal inclusive development: Microsimulation models for Latin America*. IDRC, UNDP and ITSM.

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 (50 percent) due on TBD.

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](http://tulane.edu/college/code.cfm)

Main Topics
• Prepare section on the decomposition methods and Shapley value to be included in the Handbook of CEQ.
• Preparing the draft of stand-alone paper on measuring the contribution of fiscal interventions. To be specific, account for dominance, level, path dependency, number of interventions, etc. The paper will also include the comparison between Shapley decomposition and other techniques such as Lerman-Yitzhaki, Firpo et al. (2011) and the Bourguignon, Ferreira and Lustig (2005). If time permits: incorporate Eduardo Engel’s concern regarding Shapley value. Specifically, whether the axioms imbedded in the Shapley value are "acceptable" for the purposes of estimating the contribution of a fiscal intervention? The linearity axiom is the center of Engel’s concern and also the fact that it seems possible for Shapley value to predict an equalizing effect for an intervention while removing it results in even less inequality.
• Completing sections A, B and C of MWB for Iran (Ali) and Mexico (Rodrigo). That is, complete the budgetary data, description of systems and methodology for constructing the various income concepts.
• (If time allows) Methodological approaches to incorporate behavioral responses to fiscal incidences.
Table 1: Agenda

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<thead>
<tr>
<th>Date</th>
<th>Time</th>
<th>Location</th>
<th>Topics (lead discussant)</th>
<th>Relevant link(s)(^1)</th>
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<td>January 23</td>
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\(^1\) Please let the “owner” (Ali for now) know if any of the links doesn’t work
### Table 2: Questions discussed in the meetings and relevant information

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