

Economics of Poverty -- Fall 2014
Capstone Course: ECON 4961-01/ ECON 6971-01/ ECON 4881-01
Undergraduate/Graduate Course and Writing Practicum
Time: Tuesday 3:30-6:00pm
Location: Tilton 307
Updated September 27, 2014

Instructor

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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.

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

Course Description

This course presents an overview of poverty analysis and how it is applied by multilateral organizations. Topics include measuring poverty, analyzing the characteristics of the poor, understanding the causes of poverty and assessing policies to reduce poverty. Using the World Bank's poverty assessments as a model, students will learn to prepare a basic poverty assessment for a developing country. Students will also learn basic poverty analysis techniques using the statistical software package Stata.

Pre-requisites: Intermediate Micro and Macroeconomics. No prior knowledge of Stata is required.

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; the determinants of poverty; and, anti-poverty policies (including the incidence of benefits and taxes).
- ii. Main trends in the evolution of poverty and inequality in the world.
- iii. To prepare an assessment of the poverty situation in a particular country, including a poverty profile.
- iv. To prepare an assessment of the impact of anti-poverty policies in a particular country.
- v. To prepare their own estimations of poverty in a particular country as well as a basic poverty profile for that country, using the Stata software.

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).

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. The class will consist of lectures and workshops, four Stata sessions and two in-class presentations.

Readings

Haughton, Jonathan and Shahidur R. Khandker. 2009. *Handbook on Poverty and Inequality*, World Bank. (available online)

Other reading materials will be posted in a shared Dropbox folder or they can be downloaded or obtained from the library.

Technology

You 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.

Evaluation and Grading

The evaluation is based on an **exam (40 percent), in-class presentations and participation (30 percent), and the preparation of a Poverty Assessment (30 percent)**.

The **exam** is scheduled for **November 4** and will be comprised of ten questions on the material and readings covered in the class.

For the **Poverty Assessment** assignment:

- a. The class will be divided in teams. Each team will work on a particular country chosen from the following list: Armenia, Bolivia, Brazil, Colombia, Ethiopia, Guatemala, Indonesia, Mexico, Peru, South Africa, Sri Lanka and Uruguay.
- b. Each team must prepare a spreadsheet with data on inequality and poverty for their country. Students will be shown how to search and compile the data during the in-class workshops.
- c. Each team must do two in-class power point presentations following the structure of a poverty assessment: evolution of poverty; poverty profile; determinants of poverty; and, anti-poverty policies. Every member of the team should present a particular section.

AND

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

- d. Each team must submit a revised version of the ppt and spreadsheet that incorporates the comments given by the instructor previously on **December 9**.
- e. The ppt submitted at the end of the course will follow the structure of a typical *Poverty Assessment* and will have four parts: evolution of poverty; poverty profile; determinants of poverty; and, anti-poverty policies.
- f. The grade will be the same for all members of the team.

- g. If a team does not deliver the Poverty Assessment by the due date, the grade for this assignment will be reduced at a rate of 25 percent per day for all the members of the team. 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.

For students taking the course at the **graduate level** or to fulfill the **intensive writing requirement**:

[Note: the change in pre-requisites was approved by the chair of the Department of Economics]

- a. In addition to the above, each student must prepare a **NEW! pre-specified section of a Poverty Assessment chosen from the following sections: evolution of poverty; poverty profile; determinants of poverty; and, anti-poverty policies.**
- b. The final paper should have **NEW! 5 pages maximum (in double space and font size 12) plus tables and figures.**
- c. An annotated outline of the paper is **due Tuesday, November 18**. Note that the submission of a first draft is a pre-requisite of the intensive writing practicum. Please submit electronically with a copy to Rodrigo Aranda.
- d. The revised version of the paper is **due Tuesday, December 9**. Please submit electronically with a copy to Rodrigo Aranda.
- e. If a student does not deliver the Poverty Assessment 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.

Note: Students taking the course to fulfill the intensive writing requirement must enroll in the writing practicum. If you have not enrolled, please contact Paul Watson at pwatson@tulane.edu; please copy the message to me nlustig@tulane.edu.

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, s/he will receive an incomplete for the course.

Students are not to use cell phones or the internet during class except as required by the course. The use of cell phones or computers 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.

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>

Schedule and Readings

August 26 – Concepts, Measurement, Trends and Determinants (Lecture)

Concepts and Measurement: Poverty

- 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>

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

September 2– 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

September 9 - Concepts, Measurement, Determinants and Trends (Lecture)

Concepts and Measurement: Inequality

- Houghton, Jonathan and Shahidur R. Khandker. 2009. *Handbook on Poverty and Inequality*, World Bank; chapter 6 and 8.
- Trends: International Comparisons*
- Houghton, Jonathan and Shahidur R. Khandker. 2009. *Handbook on Poverty and Inequality*, World Bank; chapter 10.
- Ferreira, Francisco H. G. and Martin Ravallion. 2008. "Global Poverty and Inequality: A Review of the Evidence." Policy Research Working Paper 4623. The World Bank, Development Research Group Poverty Team, May.
- Chen, Shaohua and Martin Ravallion. 2008. "The Developing World Is Poorer Than We Thought, But No Less Successful in the Fight against Poverty." Policy Research Working Paper 4703. The World Bank. <http://www.probeinternational.org/files/The%20developing%20world.pdf>

September 16 – Stata Tutorial: Basic Programming and Poverty Estimation in Stata;

- Houghton, Jonathan and Shahidur R. Khandker. 2009. *Handbook on Poverty and Inequality*, World Bank, Appendix 2
- Houghton, Jonathan and Shahidur R. Khandker. 2009. *Handbook on Poverty and Inequality*, World Bank; chapter 4.
- Cameron, A. Colin and Pravin K. Trivedi. 2009. *Microeconometrics Using Stata*. Stata Press; sections 1.6-1.11.

September 23 – Concepts, Measurement, Trends and Determinants (Workshop)

In-class Workshop: Poverty and inequality measures; converting poverty lines from PPP into local currency units (LCU) (and vice versa)

September 30 – Concepts, Measurement, Trends and Determinants (Workshop)

In-class Workshop: Evolution of Poverty and Inequality in in the selected countries

- OECD. 2010. *Tackling inequalities in Brazil, China, India and South Africa: The role of labour market and social policies*. OECD Publishing, doi: 10.1787/9789264088368-en.
- Poverty Assessments: <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPA/0,,contentMDK:20210352~menuPK:435735~pagePK:148956~piPK:216618~theSitePK:430367,00.html>

- Country-specific folders in Dropbox under “Readings.”
- Use spreadsheets under Assignments in Dropbox.

October 7 -- Poverty Profiles (Workshop)

- Houghton, Jonathan and Shahidur R. Khandker. 2009. Chapter 7.

In-class Workshop: Poverty Profile in the selected countries

Poverty Assessments:

<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPA/0,,contentMDK:20210352~menuPK:435735~pagePK:148956~piPK:216618~theSitePK:430367,00.html>

- Country-specific folders in Dropbox under “Readings.”

October 14 – First in-class Presentations by Teams: Evolution of Poverty and Poverty Profiles

October 21 – Anti-Poverty Policies: The Role of Transfers (Lecture) and Anti-Poverty Policies in the selected countries (Workshop)

- Houghton, Jonathan and Shahidur R. Khandker, *Handbook on Poverty and Inequality*. Chapter 9.
- Fiszbein, Ariel and Norbert Schady with Francisco H.G. Ferreira, Margaret Grosh, Nial Kelleher, Pedro Olinto, and Emmanuel Skoufias. 2009. *Conditional Cash Transfers. Reducing Present and Future Poverty*, World Bank. Overview chapter, pp. 1-27. http://siteresources.worldbank.org/INTCCT/Resources/5757608-1234228266004/PRR-CCT_web_noembargo.pdf
- Grosh, Margaret, Carlo del Ninno, Emil Tesliuc, and Azedine Ouerghi. 2008. *The Design And Implementation Of Effective Safety Nets*, World Bank. Chapters 1, 7 and 8.
- High Level Panel of Experts on Food Security and Nutrition (HLPE). 2012. *Social protection for food security*, United Nations Committee on World Food Security (CFS), June. http://www.fao.org/fileadmin/user_upload/hlpe/hlpe_documents/HLPE_Reports/HLPE-Report-4-Social_protection_for_food_security-June_2012.pdf. Summary and recommendations and Chapter 2.

October 28 - Benefit and Tax Incidence Analysis (Lecture)

- Houghton, Jonathan and Shahidur R. Khandker, *Handbook on Poverty and Inequality*. Chapter 15
- Lustig, Nora and Sean Higgins. 2013. *Commitment to Equity Assessment (CEQ): Estimating the Incidence of Social Spending, Subsidies and Taxes. Handbook*. CEQ Working Paper No. 1, Center for Inter-American Policy and Research and Department of Economics, Tulane University and Inter-American Dialogue, September.
- Lustig, Nora, et al. *The Impact of Taxes and Social Spending on Inequality and Poverty in Argentina, Bolivia, Brazil, Mexico, Peru and Uruguay: An Overview*, CEQ Working Paper No. 13, APRIL 2013; revised August 2013. www.commitmenttoequity.org

November 4 – Exam (Proctored by Rodrigo Aranda)

November 11 – Benefit and Tax Incidence Analysis (Workshop)

November 18 – Stata Tutorial: Creating Poverty Profiles and Tables; Fiscal Incidence

- Cameron, A. Colin and Pravin K. Trivedi. 2009. *Microeconometrics Using Stata*. Stata Press; chapter 2 (section 2.4 in particular).

November 25 – Second and Final in-class Presentations by Teams: Poverty Assessments

December 2 -- Stata Tutorial (Rodrigo Aranda): Bringing it all together

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ADDITIONAL RESOURCES.

Stata Tutorials: In addition to the required readings introducing students to Stata (Houghton 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)

Cameron and Trivedi, chapter 1.

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

[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/ilossi/ssimain.home?p_lang=en
- OECD—SOCIAL EXPENDITURES COMPENDIUM http://www.oecd.org/document/9/0,3746,en_2649_34637_38141385_1_1_1_1,00.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/>