

## ECON 4350 - Economics of Poverty and Public Policy – Spring, 2015

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**Instructor:** Daniel Kreisman

**Time/Place:** 1:00 p.m. – 2:15 p.m. Tues/Thurs

**Office:** Andrew Young School, Suite #529

**Office Hours:** Wednesdays 2:00 p.m.– 4:00 p.m. (or by appointment).

**Email:** dkreisman@gsu.edu (Always write “ECON 4350” on the subject line.)

*The course syllabus provides a general plan for the course; deviations may be necessary.*

### Overview

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*Purpose:* This course applies economic principles to exploring the debate surrounding the concept of poverty in the United States and to a lesser extent elsewhere in the world. Some of the questions that we will study include “How is poverty defined? How is poverty measured? Why are some people poor and not others? How well do poverty alleviation programs work?”

By the end of this course you should be able to (1) describe the extent of poverty in the United States and how it is measured; (2) critically analyze the causes of poverty; and (3) evaluate the actual and potential responses of the private and public/government sectors to the problem. With these goals in mind, the course is broken up into four main components.

*Pre-requisites:* Required courses are ECON 2105 or ECON 2106 (or equivalent to be approved by the instructor). Strongly recommended are intermediate microeconomics and a course in statistics. This course will use math with some calculus, and will include data analysis. You should understand how to take a simple derivative, and concepts such as preferences, utility, supply and demand.

### Texts –

1. Wolff, E. N. (2009). *Poverty and income distribution*. Blackwell Pub.
2. Mullainathan, S., & Shafir, E. (2013). *Scarcity: Why having too little means so much*. Macmillan.
3. Banerjee, A., Banerjee, A. V., & Duflo, E. (2011). *Poor economics: A radical rethinking of the way to fight global poverty*. PublicAffairs.

**Readings** – Because this is a *seminar* (not a lecture), your participation is key. You will have weekly readings (on which exams and problem sets will partly be based).

**Desire2learn:** Important course information will be posted on **Desire2learn** (<https://gsu.view.usg.edu/>), including all problem sets, readings, data, study guides and lecture slides. It is your responsibility to check uLearn regularly.

## Policies

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1. **No electronics.** I strongly urge a no electronics policy. This includes computers, cell phones, tablets, etc. Any student needing an exception to this rule is welcome to discuss at office hours to make their case.

2. **Attendance:** Students are responsible for obtaining any missed lecture notes from their classmates or desire2learn. The presumption of your registration for this course at this time is that you are able to attend class, arrive on time, and do not depart early.

3. **Exams.** The exams will not be rescheduled. If a student is unable to attend due to an unexpected emergency, and she/he can provide satisfactory written documentation of the emergency, her/his final exam will be weighed more heavily to make up for the missed exam.

4. **Honesty.** Students are expected to do their work in a manner consistent with the guidelines of GSU policy on Academic Honesty.

## Grading

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**Class participation 5%** - Because this is a seminar (as opposed to a lecture), your participation is required. This includes attendance.

**Problem sets 15%** - Two problem sets will often have a problem or two, plus questions about the readings. Paper copies are due at the beginning of class.

**Reading quizzes: 10%** - I will give very short quizzes to make sure you've done the readings. If you read, they'll be easy. You may drop one quiz grade.

**Two Exams 40%** - There are no makeups. Each exam is 20% of your grade. Exams will have exercises (economic problems to solve) and questions from the readings. I will provide a brief study guide before exams.

**Group policy exercise 30%** - Make a policy recommendation on a topic of my choosing, including thorough background research, good economic thinking, and a clear policy proposal. The purpose is to introduce you to the nuts and bolts of creating a proposal. Not everyone in the group necessarily gets the same grade.

You will work in groups of 3-4 with the following requirements:

1. In-class presentation from the group lasting about 10 minutes, followed by questions from me and the class.
2. A 2-page (12pt TNR) summary of your proposal. Provide references in an attached bibliography (not included in page count).

**Extra credit** for sending me *good and relevant* news articles (or policy briefs, etc.) related to our course. These should be new laws or policies enacted, not just interesting articles about poverty.

**Curve** – I reserve the right to curve grades (this can be upward or downward).

**Instructor assessment:** Your constructive assessment of this course plays an indispensable role in shaping education at Georgia State. Upon completing this course, please take time to fill out the online course evaluation.

**Academic honesty:** Plagiarism of any kind will not be tolerated and may be grounds for failure and disciplinary action. This includes copying work from other published sources without citing those sources. Similarly, cheating on any assignment, including using unauthorized notes, copying the work of other students, or providing answers to other students, may similarly result in failure and/or disciplinary action.

“As members of the academic community, students are expected to recognize and uphold standards of intellectual and academic integrity. The university assumes as a basic and minimum standard of conduct in academic matters that students be honest and that they submit for credit only the products of their own efforts. Both the ideals of scholarship and the need for fairness require that all dishonest work be rejected as a basis for academic credit. They also require that students refrain from any and all forms of dishonorable or unethical conduct related to their academic work.” For complete guidelines, see:  
<http://www2.gsu.edu/~wwwfhb/sec409.html>

**Accommodations for students with disabilities:** Georgia State University complies with Section 504 of the Rehabilitation Act and the Americans with Disabilities Act. Students with disabilities who seek academic accommodations need to take appropriate documentation to the Office of Disabilities Services located in Suite 230 of the Student Center. Please inform me if you have any disabilities requiring special accommodation.

**Religious holidays:** Any student registered for this course who plans to observe a religious holiday, which conflicts in any way with the course schedule or requirements, should contact the instructor two weeks prior to indicate the need for an accommodation.

**Attendance:** The following is a formal policy at the Georgia State University. “Effective Fall 2001, instructors must, on a date after the mid-point of the course (to be set by the Provost) i. give a WF to all those students who are on their rolls but no longer taking the class and ii. report the last day the student attended or turned in an assignment. Students who are on financial aid should pay particular attention to this new rule as it may affect your financial aid status. To determine whether or not you are “still taking the class”, Attendance will be determined based on participation in exams and homework assignment.”

## Lecture outline

You should do all readings unless *optional* is specified. Note that readings with an asterisk (\*) should be read diligently as you will see them on quizzes and tests. The more asterisks (\*\*\*) the more important it is.

## I. Introduction, Definitions and Measurement

### Lecture 1 – Jan 13: Poverty vs. Inequality

What is the difference between poverty and inequality? Why might we care?

- Wolff Ch. 1.1
- \*Norton & Ariely, 2011

### Lecture 2 – Jan 15: Distributions

Means, medians, distributions and percentiles. Income distribution in the U.S.

- \*Wolff Ch. 3.1-3.2

### Lecture 3 – Jan 20: Measuring poverty.

Official, Supplemental, Income and consumption based poverty measures.

- Wolff Ch. 4.1 & 4.2
- Haveman and Mullikin, "Alternatives to the Official Poverty Measure: Perspectives and Assessment."
- \*\*Short (2011). "Who is Poor? A New Look with the Supplemental Poverty Measure."

### Lecture 4 – Jan 22: Counting the poor

Poverty indices and Gini coefficients.

- Wolff. Ch. 3.3-3.6; 4.3-4.4

## II. Origins of Poverty – Education, early childhood and inequality

### Lecture 5 – Jan 27: Education Ia – Human capital investments

Human capital theory and returns to schooling.

#### PS1 posted

- Wolff, 8.1-8.2 (8.3 is optional).  
Or (reading both is suggested)
- \*\*Ehrenberg, ch. 9 (similar to Wolff but easier.)

### Lecture 6 – Jan 29: Education Ib - Human capital investments

Trends in education.

- \*Kalil (2014). Addressing the Parenting divide.
- \*Bailey & Dynarski (2011): Gains and Gaps: Changing inequality in US college entry and completion. NBER working paper 17633.

- \*Reardon, S. (2011). The Widening Academic Achievement Gap Between the Rich and the Poor: New Evidence and Possible Explanations.

### **Lecture 7 – Feb. 3: Education IIa**

Head start, Pre-k and early childhood.

#### **PS 1 Due (beginning of class).**

- Cascio & Schanzenbach. Expanding preschool access.
- \*\*Duncan, Ludwig & Magnuson. Reducing Poverty through preschool interventions.
- \*(Strongly recommended) Belfield, Nores, Barnett & Schweinhart (2005). The High/Scope Perry Preschool Program Cost–Benefit Analysis Using Data from the Age-40 Followup.

### **Lecture 8 – Feb. 5: Education IIb**

Head start continued + student loans, Pell and Moving to Opportunity

- A Summary Overview of Moving to Opportunity: A Random Assignment Housing Mobility Study in Five U.S. Cities
- Dynarski & Scott-Clayton (2013). Financial Aid Policy: Lessons from Research.

### **Feb. 10: Exam 1.**

Will cover all reading and lectures up to this point.

## **III. Wages and working with data**

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### **Lecture 9 – Feb. 12: Wages**

- \*\*\*Labor economics pages 21-39 (posted on D2L)

### **Lecture 10 – Feb. 17: Data**

Half of class will meet on 7<sup>th</sup> floor of the Andrew Young School.

### **Lecture 11 – Feb. 19: Data**

The other half of class will meet on 7<sup>th</sup> floor of the Andrew Young School.

## **IV. Policies and Programs**

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### **Lecture 12 – Feb. 24: EITC**

How does EITC affect work and earnings?

- \*\*\*Labor economics pages 54-64 (posted on D2L)
- \*Hoynes, H. Building on the success of the EITC.

### **No class Feb. 26**

A TA session will be provided to go over EITC and labor supply. Please attend.

**Lecture 13 – Mar. 3: Minimum wage, average and marginal tax.**

What should the minimum wage be? Average vs. Marginal tax rates. Real vs. nominal income.

- \*\*Dube, A. Designing Thoughtful Minimum Wage Policy at the State and Local Levels.
- \*Wolff 2.3
- \*Wolff, 16.3-16.4

**Lecture 14 – Mar. 5: Anti-poverty programs 1**

Background on welfare programs, UI, AFDC & TANF

**PS2 posted**

- \*Wolff 15.1-15.3, 15.5

**Lecture 15 – Mar. 10: Anti-poverty programs 2**

Snap, WIC and thinking more about why we have welfare.

- \*Wolff 15.8

**Lecture 16 – Mar. 12: Health**

**PS2 Due.**

**Groups for final presentation due.**

Readings TBA.

**Spring Break: Mar 14-22**

You should start reading Poor Economics.

**V. Global poverty**

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**Lecture 17 – Mar. 24: Global poverty 1a**

**Final presentation topics lottery. Make sure you're in class.**

Causes and Millennium development goals, Poverty traps, Kuznets curves.

- \*\*Poor Economics: Ch 1-5

**Lecture 18 – Mar. 26: Global poverty 1b**

Conditional cash transfers

- Mexico's Oportunidades Program
- \*\*The economic rationale for Conditional Cash transfers

**Lecture 19 – Mar. 31: Global poverty 2a**

Experiments in development

- \*J-PAL policy brief: Up in smoke
- \*J-PAL policy brief: Cleaner water at the source
- \*J-PAL policy brief: Deworming
- \*J-PAL policy brief: The price is wrong

**Lecture 20 – Apr. 2: Global poverty 1b**

More experiments in development.

- \*\*Poor Economics: Ch 6-10

**Exam 2: Apr. 7**

**VI. Special topics**

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**Lecture 21 – Apr. 9: Discrimination**

Discrimination and prejudice.

- Wolff 12.1-12.6

**Lecture 22 – Apr. 14 Scarcity 1**

- Scarcity Ch. 1-5

**Lecture 23 – Apr. 16 Scarcity 2**

- Scarcity Ch. 6-8

**Lecture 24 – Apr. 21 Wrap-up 1**

- Mankiew. Defending the 1%.

**Lecture 24 – Apr. 21 Wrap-up 2**

- TBD

**Final presentations**

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In class.