Course overview
This course will examine the nature and extent of poverty and inequality in the U.S., its causes and consequences, and the effects of government programs and policies. The first unit will cover the measurement of poverty and inequality and review the evidence for the trends in the U.S. and other developed countries. The next unit will cover the causes of poverty and inequality, with particular attention to the influences of the labor market and education. The course will then survey the main government policies and programs that affect poverty and inequality including taxes, government transfers, employment policies, and education and training programs. Throughout the course we will cover the policy context, in terms of reviewing prior reforms and what we have learned from them, as well as potential prospective changes. This will be layered with a more theoretical discussion of key issues in the design of programs such as the tradeoff of universal versus targeted programs, the tradeoff of distortion versus protection, the effects of in-kind versus cash assistance, pre-market versus post-market interventions, and the effects of intervening at different points in the life cycle. We will read a mix of academic papers as well as policy pieces and readings from the popular press.

Lecture Time/Place— Tuesday, Thursday 10:10-11:30, 105 GSPP

Instructor Office Hours— Tuesday 3-5pm and (and by appointment) in Room 345 GSPP (new building)

Course Web Site— https://bCourses.berkeley.edu. There you will find the syllabus, lecture notes (powerpoint), course readings and handouts. Check it often for all updates and current information.

Course Grade— The final grade will be determined as follows:
- Class participation 15%
- Scientific Paper summary 10%
- Pro/Con Policy Debate (presentation) 20%
- 2 Problem sets (core concepts) 20%
- Policy Memo (own topic) 35%

Readings – There are no required textbooks. Readings are on Bcourses and a course reader.
Policy Memo: An end of course project will consist of an analysis of a policy of your choosing. Consider a new policy or a change to an existing policy. The policy can be drawn from class discussions or on another topic relevant to poverty and inequality.

Problem sets: There will be two problem sets that provide an opportunity for an assessment of the “core theories” of the analysis of safety net programs. This is meant as a substitute for an exam.

Scientific Paper summary: At least once during the term, I want you to prepare a summary of a paper which we will be discussing in class. Only some of the papers we cover are suitable for this exercise. The papers in bold are options for scientific papers you can choose from. These summaries are handed in at the beginning of class. The assignment should include a summary of the paper, its conclusions, and answers to the questions listed below. Aim for about 2 page summaries but more or less could be appropriate.

Pro/Con Policy Debate: Topics will be assigned taking into account your preferences. One side will take the “pro” of the position and the other the “con” (and you will be randomly assigned to pro or con). Depending on class size, this may be a group project. We will set aside class meetings for these presentations. Some debates will be drawn from current policy proposals, some from Paul Ryan’s recent manifesto.

Class Participation: This is important and I am putting some skin in the game.

The social contract: My goal is to have an engaging class setting where my lecturing is enhanced by our class discussions. My end of the social contract is to keep the assigned readings to a reasonable amount. Your end of the social contract is to come to class with the readings completed.

Questions to think about when reading empirical papers:
  What question does it ask?
  What data is used? What are the key variables? What is the key parameter to be identified?
  What approach is used to estimate the key parameter (experimental, quasi-experimental)? Did you find the approach convincing?
  What are the results and their interpretation?
  How does the paper relate to current policies and programs?
  What questions do you have on the paper?
COURSE READING LIST [italics indicates theoretical issue addressed in section]

Part 0: PRELIMINARIES

INTRODUCTION [JANUARY 20]

CHALLENGES FOR POLICY EVALUATION [JANUARY 22]

*The Evaluation Challenge, Experiments, Quasi-Experiments, Difference-in-Difference*

[R] Gruber Public Finance, Ch 3
[R] Murnane & Willett, Methods Matter, Ch 1

Part 1: POVERTY AND INEQUALITY, MEASUREMENT, FACTS, TRENDS

POVERTY MEASUREMENT [JANUARY 27]

[R] Iceland Ch 2 [all], 3 [pp. 39-54]
[B] Haveman “What does it mean to be poor in a rich society?” IRP Focus

TRENDS IN POVERTY AND INEQUALITY [JANUARY 29]

[B] Saez, slides, Arrow lecture, 2013
[B] Alvaredo et al "The Top 1 Percent in International and Historical Perspective", Journal of Economic Perspectives 2013 [pp. 3-10 and only if need text to accompany slides above]
Chetty, Executive Summaries on http://www.equality-of-opportunity.org/

Part 2: POVERTY AND INEQUALITY, CAUSES AND CONSEQUENCES

CAUSES OF POVERTY AND INEQUALITY [FEBRUARY 3 AND FEBRUARY 5]

*Using Oaxaca decompositions to understand trends*

[B] Autor “Skills, education, and the rise of earnings inequality among the “other 99 percent””, Science 2014
Appelbaum “the Vanishing male Worker: How American Fell Behind” NYT 12/11/14  
[R] Lang Ch 5 (pp. 108-115)  
Hoyes, Page and Stevens JEP 2006  
[R] Cherlin Ch 5 (pp. 134-141)  
[R] Iceland Ch 5 (pp. 102-113)  
De Parle and Tavernise “For Women under 30, Most Births Occur Outside of Marriage,” NYT 2/17/12  
http://www.nytimes.com/2012/02/18/us/for-women-under-30-most-births-occur-outside-marriage.html?_r=0  
Edin and Kefalas “Why Poor Women Put Motherhood before Marriage,” Ford School,  
https://www.youtube.com/watch?v=wRUj_C5JdHs [minutes 6:00-54:00]  

CONSEQUENCES OF POVERTY  [FEBRUARY 10]  

Using event-study models in quasi-experimental design  
Sendhil Mullainathan, 2014 Sheffrin Lecture at UC Davis (he begins speaking at minute 6)  
https://www.youtube.com/watch?v=XyBsiTsb3SQ  
B Holzer et al “The Economic Costs of Poverty in the U.S.: Subsequent Effects on Children Growing up Poor” Center for American Progress  
[Optional] IRP Webinar “Poverty and the Brain,” Pollak and Wolfe,  
http://www.irp.wisc.edu/publications/media/webinars.htm

Part 3: THE SOCIAL SAFETY NET

THE SAFETY NET – OVERVIEW  [BACKGROUND, FEB 12]  

B CBO “Growth in Means-Tested Programs and Tax Credits for Low-Income Households Means Tested Transfers” 2013.  
Anti-poverty effects of the safety net (from Short)  

WELFARE PROGRAMS (“OUT OF WORK BENEFITS”)  [FEBRUARY 12 AND FEBURARY 17]  

The microeconomics of labor supply and welfare  
[R] Gruber Ch 2 (Sections 2.1-2.2) and Ch 17  
[R] Lang Ch 3 (others?)
WELFARE REFORM  [FEBRUARY 19]

Difference and Difference models
[R] Lang Ch 9 (others?)

THE EARNED INCOME TAX CREDIT (“IN WORK BENEFITS”)  [FEBRUARY 24 AND FEBURARY 26]

In-work versus out-of-work benefits
[R] Gruber Ch 17
?? HH Hamilton Project, HH EITC powerpoint presentation for keynote
?? Maybe cut out TPE if I have these?
[B] Saez “Do Taxpayers Bunch at Kink Points?” AEJ Policy, August 2010. (esp pages XX-XX)

PROBLEM SET # 1 DUE  (WEEK OF MAR 3 & 5)
NO CLASS ON MARCH 3

FOOD AND NUTRITION PROGRAMS (SNAP) [MARCH 5 AND MARCH 10]

Economics of cash versus inkind benefits
[B] Hoynes and Schanzenbach “U.S. Food and Nutrition Programs” (esp pp. XX-XX)
[B] Hamilton Project “Strengthening SNAP for a More Food-Secure, Healthy America”
Schanzenbach

DISABILITY PROGRAMS [MARCH 12; meet 9-10:15?]

[B] Deshpande “Does Welfare Inhibit Success? The Long-Term Effects of Removing Low-Income Youth from Disability Insurance” (NOTE: She will be giving job talk at GSPP 1/23/15 3:10-430p)
THE GREAT RECESSION, POVERTY AND THE SAFETY NET  [MARCH 17]

Bitler and Hoynes “Heterogeneity in the Impact of Economic Cycles and the Great Recession: Effects Within and Across the Income Distribution”

Bitter and Hoynes “The More Things Change, the More They Stay the Same? The Safety Net and Poverty in the Great Recession” Forthcoming JOLE


PUBLIC HOUSING AND HOUSING PROGRAMS  [MARCH 19]

Randomized Control Trials in Social Science

Jacob et al “The Impact of Housing Assistance on Child Outcomes: Evidence From a Randomized Housing Lottery,” Forthcoming QJE.


SPRING BREAK MARCH 24 & MARCH 26

SOCIAL IMPACT BONDS [MARCH 31]

READINGS TBD

SOCIAL SECURITY AND ELDERLY POVERTY

Part 4: INSTITUTIONAL FEATURES OF THE MARKET SYSTEM THAT AFFECTS INCOMES

MINIMUM WAGES  [APRIL 2 & APRIL 7]

Economics of Price Controls on Labor markets, Monopsony

Dube “Designing Thoughtful Minimum Wage Policy at the State and Local Levels” The Hamilton Project.


Economic Policy Institute “Raising the federal minimum wage to $10.10 would lift wages for millions and provide a modest economic boost,” 2013 [NOT NEC IF CBO?]

PROBLEM SET #2 DUE APRIL 9
Part 5: INTERVENTIONS THAT AFFECT INCOME-EARNING POTENTIAL

PRESCHOOL, HEAD START  [APRIL 9 & APRIL 14]

Targeted versus universal programs
http://economixblogs.nytimes.com/2012/03/02/how-head-start-can-make-a-difference/
ADD SOMETHING ON NURSE FAMILY PARTNERSHIP

HEALTH INSURANCE [APRIL 16 AND APRIL 21]

Social insurance versus public assistance
Oregon Project, “Summary of Findings,” http://www.nber.org/oregon/ “About the Study and “Primary Findings to Date”
Something on ACA
Mulligan “How Obamacare wrecks the work ethic” WSJ 10/2/13
http://www.wsj.com/articles/SB10001424127887323623304579061423122639430

NO CLASS ON APRIL 23

CLASS PRESENTATIONS APRIL 28 AND APRIL 30 [SCHEDULE A FEW HOURS THIS WEEK

POLICY MEMO DUE BEGINNING OF FINALS WEEK