PP290: Poverty, Inequality and the Social Safety Net
Spring 2016
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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 – Monday, Wednesday 3:30-5:00, 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:
- Scientific Paper summary [due any time] 10%
- In-Class Pro/Con presentation 25%
- 2 Problem sets (core concepts) 30%
- Policy brief (own topic) 35%

Readings – There are no required textbooks. Readings are on Bcourses and a course reader (available at Vick Copy on Euclid).
**Policy Brief**: 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.

**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**: Student will choose to take a pro or con position on a policy advance in two recent reports on poverty. Each student will make an in class presentation on this issue. We will set aside class meetings for these presentations. **Reports**:  
Paul Ryan, Path to Prosperity. Fiscal Year 2015 Budget Resolution.*

**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.

**Class Participation**: I want this and will encourage it.

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

Part 0: PRELIMINARIES

INTRODUCTION [JANUARY 20]

CHALLENGES FOR POLICY EVALUATION  [JANUARY 25]

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

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

JANUARY 27 NO CLASS MEETING TODAY.

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

POVERTY MEASUREMENT [FEBRUARY 1]

[R] Iceland Ch 2 [all], 3 [pp. 39-54]
Rector “The Myth of Widespread American Poverty”

TRENDS IN POVERTY AND INEQUALITY [FEBRUARY 3]

*Gini Coefficient*

[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]

INEQUALITY, MOBILITY AND OPPORTUNITY [FEBRUARY 8]

OR
Part 2: POVERTY AND INEQUALITY, CAUSES AND CONSEQUENCES

CAUSES OF POVERTY AND INEQUALITY [FEBRUARY 10]

Using Oaxaca decompositions to understand trends
[B] Autor “Skills, education, and the rise of earnings inequality among the “other 99 percent””, Science 2014
[B] Economic Report of the President 2015, Ch 1: Middle-Class Economics: The Role Of Productivity, Inequality, And Participation” (Esp pp. 29-40).
[R] Lang Ch 5 (pp. 108-115)
[R] Cherlin Ch 5 (esp pp. 130-141)
De Parle and Tavernise “For Women under 30, Most Births Occur Outside of Marriage,” NYT 2/17/12
VIDEO: Edin and Kefalas “Why Poor Women Put Motherhood before Marriage,” Ford School, [minutes 6:00-54:00]

CONSEQUENCES OF POVERTY [FEBRUARY 17]

[B] “No Money No Time” NYT 6/13/14
VIDEO: Sendhil Mullainathan, “Scarcity: Why Having Too Little Means So Much” 2014 Sheffrin Lecture at UC Davis (he begins speaking at minute 6)
OPTIONAL [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 VIDEO IRP Webinar “Poverty and the Brain, Pollak and Wolfe,
Part 3: THE SOCIAL SAFETY NET

THE SAFETY NET – OVERVIEW  [FEBRUARY 22]

Anti-poverty effects of the safety net (from Short)

WELFARE PROGRAMS (“OUT OF WORK BENEFITS”) [FEBRUARY 22, 24]

The microeconomics of labor supply and welfare
[R] Gruber Ch 2 (Sections 2.1-2.2) and Ch 17

Randomized Control Trials

WELFARE PROGRAMS (“OUT OF WORK BENEFITS”) [FEBRUARY 22, 24]

The microeconomics of labor supply and welfare
[R] Gruber Ch 2 (Sections 2.1-2.2) and Ch 17

Randomized Control Trials

TANF, WELFARE REFORM, BLOCK GRANTS [FEBRUARY 29]

VIDEO: Edin and Shaefer “$2.00 a Day: Living on Almost Nothing in America”, Ford School, 11-12-15.

THE EARNED INCOME TAX CREDIT (“IN WORK BENEFITS”) [MARCH 2, 7]

In-work versus out-of-work benefits
Using event-study or event-time models in quasi-experimental evaluation
[R] Gruber Ch 17
Current Policies and the EITC
[B] Options for a State Earned income Tax Credit, LAO, California
[B] UCB IRLE, Policy Brief on California EITC

MONDAY FEB 29: READ REPORTS BY TODAY, PROPOSE TOPICS (3, RANKED) FOR YOUR CLASS PRESENTATION
PROBLEM SET #1 DUE MARCH 9 IN CLASS

FOOD AND NUTRITION PROGRAMS (SNAP) [MARCH 9, 14]

Economics of cash versus inkind benefits
Barker Hypothesis and Fetal Origins
[B] Hoynes and Schanzenbach “Consumption Responses to In-Kind Transfers: Evidence from the Introduction of the Food Stamp Program” AEJ Applied
[B] Krugman “Free to be Hungry” NYT 9/22/13
[B] Hamilton Project “Strengthening SNAP for a More Food-Secure, Healthy America”
Schanzenbach
[OPTIONAL] VIDEO: Bill Moyers & Company “Faces of America’s Hungry”,
[OPTIONAL] Brookings short summary on “fetal programming”

MARCH 16: STUDENT PRESENTATIONS, DAY #1
[SASHA, MADDIE, AUSTIN]

MARCH 16: Send idea(s) for policy memo to Hilary by today

SPRING BREAK MARCH 21-25

DISABILITY PROGRAMS [MARCH 28]

What happens when you take away disability benefits from kids and their parents,
Washington Post, 12/16/14,
[B] Deshpande “Does Welfare Inhibit Success? The Long-Term Effects of Removing Low-Income Youth from Disability Insurance”
This American Life “Trends with Benefits”

HOUSING POLICIES AND THE IMPORTANCE OF PLACE [MARCH 30]

Randomized Control Trials in Social Science
THE GREAT RECESSION, POVERTY AND THE SAFETY NET  [APRIL 6]


LONG TERM EFFECTS OF THE SAFETY NET [APRIL 11]

Regression Discontinuity
[B] Wherry and Meyer “Saving Teens: Using a Policy Discontinuity to Estimate the Effects of Medicaid Eligibility” Forthcoming JHR


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

MINIMUM WAGES  [APRIL 13]

Economics of Price Controls on Labor markets, Monopsony
[B] Dube “Designing Thoughtful Minimum Wage Policy at the State and Local Levels” The Hamilton Project.
[OPTIONAL] [B] Economic Policy Institute “Raising the federal minimum wage to $10.10 would lift wages for millions and provide a modest economic boost,” 2013

WAGE SUBSIDIES VS MINIMUM WAGES VS EITC
[B] Vox “This is what smart conservatives want to do to fight poverty” 8-25-15.
Part 5: INTERVENTIONS THAT AFFECT INCOME-EARNING POTENTIAL

PRESCHOOL, HEAD START [APRIL 20]

Targeted versus universal programs

HEALTH INSURANCE [APRIL 25]

Social insurance versus public assistance
Oregon Project, “Summary of Findings” and “About the Study and “Primary Findings to Date”
[B] Mulligan “How Obamacare wrecks the work ethic” WSJ 10/2/13
VIDEO: Last Week Tonight with John Oliver: Medicaid Gap 11-1-15.

APRIL 27: STUDENT PRESENTATIONS, DAY #4

RRR week [TBD]: STUDENT PRESENTATIONS, DAY #5
(short meeting, only 2 presentations)

POLICY MEMO DUE BEGINNING OF FINALS WEEK -- MAY 9