



PP290: Poverty and Inequality: Facts, Causes and Policy Solutions Spring 2017

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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, active labor market policies as well as labor market institutions such as unions and minimum wages. 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 10:00-11:30, 355 GSPP

Instructor Office Hours— Wednesday 3-5pm and (and by appointment) in Room 345 GSPP (new building). See <https://wejoinin.com/hilaryhoynes>.

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%
2 Problem sets (core concepts)	40%
Policy brief (see topic ideas below)	30%
Class participation (particularly Wed debates)	20%

Readings — There are no required textbooks. Most readings are on Bcourses. A short course reader is at Vick Copy on Euclid.

Policy Brief: An end of course project will consist of an analysis of a current policy proposal. Here are a couple of resources for ideas for proposals:

- [“A Better Way: Our Vision for a Confident America: Poverty, Opportunity and Upward Mobility”](#), better.gop
- [Opportunity Responsibility and Security: A Consensus Plan for Reducing Poverty and Restoring the American Dream](#), AEI Brookings. Nov 2015.

Proposals may also be coming out in real time out of the Congress. Prepare an assessment of the proposal, considering both the pro- and con- positions on the proposal. Aim for 5 pages single spaced, including some figures as needed.

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. The idea is dive deep into an academic paper and see what you can learn.

Wednesday Debate / Class Participation: Each week I will set aside the last 20 minutes of class to discuss a current issue. I will assign these on Monday and we will discuss it on Wednesday. You may be assigned a “side” to take in the debate ahead of time. I value class participation and I hope you do to.

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?

A nice resources for videos on topics / authors on our syllabus:

<http://inequality.stanford.edu/publications/americas-poverty-course>

COURSE READING LIST

Part 0: QUICK TAKE ON EMPIRICS OF POLICY EVALUATION

0.1 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, INEQUALITY, INTERGEN MOBILITY: MEASUREMENT AND DEFINITIONS

1.1 MEASUREMENT: INQUALITY AND POVERTY

Pew Research Center, "[The many ways to measure economic Inequality](#)", Sept 2015.

Brian Keeley, "Income Inequality," OECD Insights, 2015, Ch. 1.

Economic Report of the President, "The War On Poverty 50 Years Later: A Progress Report," Ch 6 in 2014 EROP, pp. 7-14.

[OPTIONAL] Meyer, Mok and Sullivan "Household Surveys in Crisis", Journal of Economic Perspectives, Fall 2015, Vol 29, Number 4, p. 199-226.

[WEDNESDAY DEBATE] Rector "[The Myth of Widespread American Poverty](#)"

1.2 MEASUREMENT: INTERGENERATIONAL MOBILITY

Chetty et al "Where Is The Land Of Opportunity? The Geography Of Intergenerational Mobility In The United States" Quarterly Journal of Economics, November 2014. pp 1553-1569

Part 2: POVERTY, INEQUALITY, INTERGEN MOBILITY: TRENDS AND VARIATION ACROSS SPACE

2.1 FACTS AND TRENDS: WAGES, EARNINGS, EMPLOYMENT

~~Author "Skills, education, and the rise of earnings inequality among the "other 99 percent"', Science 2014, pp 844-845~~

CEA, "The Long Term Decline in Prime Age Male Labor Force Participation" Council of Economic Advisors, June 2016, pp 1-15 5-15.

2.2 FACTS AND TRENDS: POVERTY

Economic Report of the President, "The War On Poverty 50 Years Later: A Progress Report," Ch 6 in 2014 EROP, pp. 15-48 15-24.

2.3 FACTS AND TRENDS: INEQUALITY

Piketty and Saez, "Inequality in the Long Run," Science, 2014. pp. 838-839.

Alvaredo et al "The Top 1 Percent in International and Historical Perspective", *Journal of Economic Perspectives* 2013, pp 1-9.

2.4 FACTS AND TRENDS: INTERGENERATIONAL MOBILITY

Chetty et al “Is the United States Still a Land of Opportunity? Recent Trends in Intergenerational Mobility” American Economic Review, 104(5): 141–147, 2014.

Corak, Miles. 2013. "Income Inequality, Equality of Opportunity, and Intergenerational Mobility." Journal of Economic Perspectives, 27(3): 79–102. pp. 79-85.

[OPTIONAL] Chetty et al “Where Is the Land of Opportunity? The Geography of Intergenerational Mobility In The United States” Quarterly Journal of Economics, November 2014.

[OPTIONAL] VIDEO: “[Improving Equality of Opportunity in America: New Evidence and Policy Lessons](#)”, Raj Chetty 2015 Lampman Lecture, University of Wisconsin

Wednesday Debate: AEI letter on “Focusing on Work”, Jason Furman [“Reducing Poverty: The Progress We have Made and the path forward”](#)

Part 3: POVERTY AND INEQUALITY: CAUSES AND CONSEQUENCES

3.1 UNDERLYING CAUSES: TRENDS IN WAGE AND EARNINGS

Overview and Education

Lang Ch 5 (pp. 108-115)

Autor “Skills, education, and the rise of earnings inequality among the “other 99 percent””, *Science* 2014, pp 845-851.

Technology, Mechanization, Trade

David Autor, “Why Are There Still So Many Jobs? The History and Future of Workplace Automation,” Journal of Economic Perspectives, 29(3):3-30, 2015.

— David Autor, David Dorn and Gordon Hanson, “Untangling Trade and Technology: Evidence from Local Labour Markets,” *The Economic Journal*, 125(May):621–646 2015.

[OPTIONAL] David Autor, David Dorn, and Gordon Hanson “The China Syndrome: Local Labor Market Effects of Import Competition in the United States,” *American Economic Review*, 2013, 103(6), 2121–2168.

[OPTIONAL] Autor “The Polarization of Job Opportunities in U.S. Labor Markets: Implications for Employment and Earnings”, The Hamilton Project

Bargaining Power / Monopsony

CEA, “Labor Market Monopsony: Trends, Consequences, and Policy Responses,” Council of Economic Advisors Issue Brief, October 2016.

— [R] Alan Manning, *Monopsony in Motion*, Chapter 2

— [R] Tito Boeri and Jan van Ours, *The Economics of Imperfect Labor Markets*, Ch 2.

WED DISCUSSION: Appelbaum [“The Vanishing Male Worker: How American Fell Behind”](#) NYT 12/11/14

3.2 UNDERLYING CAUSES: DEMOGRAPHICS

Lundberg, Shelly, Robert A. Pollak and Jenna Stearns. 2016. "Family Inequality: Diverging Patterns in Marriage, Cohabitation, and Childbearing." Journal of Economic Perspectives, 30(2): 79-102.

De Parle and Tavernise "[For Women under 30, Most Births Occur Outside of Marriage](#)," NYT 2/17/12

[OPTIONAL] VIDEO: Edin and Kefalas "[Why Poor Women Put Motherhood before Marriage](#)," Ford School, [minutes 6:00-54:00]

3.3 CONSEQUENCES OF POVERTY AND LOW WAGES

Duncan "Income and Child Well-Being" Geary Lecture, Economic Social Research Institute 2006.

Jacobs et al, "[The High Public Cost of Low Wages](#)," IRLE Research Brief, April 2015.

"[No Money No Time](#)" NYT 6/13/14

Janet Currie and Hannes Schwandt "Mortality Inequality: The Good News from a County-Level Approach," Journal of Economic Perspectives, 30(2):29-52, Spring 2016.

Wonkblog "[The stunning — and expanding — gap in life expectancy between the rich and the poor](#)", Washington Post 9-18-15.

[OPTIONAL] VIDEO: Sendhil Mullainathan, "[Scarcity: Why Having Too Little Means So Much](#)" 2014 Sheffrin Lecture at UC Davis (he begins speaking at minute 6)

[OPTIONAL] VIDEO IRP Webinar "[Poverty and the Brain](#), Pollak and Wolfe.

Part 4: THE ECONOMICS OF THE SOCIAL SAFETY NET

Topics: Public Assistance versus Social Insurance

Cash versus In-kind

Universal Basic Income versus "traditional welfare"

Child Allowances (Canada, proposed in U.S.)

Conditional Cash Transfers

In-work versus out-of-work

Funding in a federalist system (block grants versus uncapped entitlements)

[R] Gruber Ch 2 (Sections 2.1-2.2)

[R] Gruber Ch 17

World Bank, "Conditional Cash Transfers", A World Bank Policy Research Report, Overview pp. 1-28.

Eduardo Porter, "[The Myth of Welfare's Corrupting Influence on the Poor](#)", NYT 10-21-15.

[Optional] Banerjee et al "Debunking the Stereotype of the Lazy Welfare Recipient: Evidence from Cash Transfer Programs Worldwide", working paper.

Part 5: EVIDENCE ON THE SOCIAL SAFETY NET

5.1 THE SAFETY NET – OVERVIEW

Moffitt “Four Decades of Antipoverty Policy: Past Achievements and Future Directions,” Focus 25(1). 2007

CBO “Growth in Means-Tested Programs and Tax Credits for Low-Income Households Means Tested Transfers” 2013.

Eduardo Porter, “[Electing to Ignore the Poorest of the Poor](#)” NYT 11-17-15.

5.2 [CASH WELFARE] TANF, WELFARE REFORM, BLOCK GRANTS

Bitler and Hoynes, “[Strengthening Temporary Assistance for Needy Families](#),” Full paper, The Hamilton Project, May 2016.

Haskins, Danziger et al “Point Counterpoint on TANF”, Journal of Policy Analysis and Management, 2016.

[OPTIONAL] VIDEO: New York Times on [Welfare Reform](#)

[OPTIONAL] VIDEO: Edin and Shaefer “[\\$2.00 a Day: Living on Almost Nothing in America](#)”, Ford School, 11-12-15.

Eduardo Porter, “[The Republicans Strategy to Ignore Poverty](#)” NYT 10-28-15.

[WEDNESDAY DEBATE TOPIC] Block grants.

5.3 [INWORK BENEFITS] THE EARNED INCOME TAX CREDIT

Hilary Hoynes and Ankur Patel “The Earned Income Tax Credit and the Distribution of Income,” NBER working paper 21340.

Center for Budget and Policy Priorities “EITC and Child Tax Credit Promote Work, Reduce Poverty, and Support Children’s Development, Research Finds” 2015

Claire Montialoux and Jesse Rothstein, “The New California EITC,” IRLE Policy Brief, December 2015.

[OPTIONAL] Hilary Hoynes and Jesse Rothstein, “Tax Policy Toward Low-Income Families,” forthcoming in Auerbach tax policy volume.

[OPTIONAL] **Saez “Do Taxpayers Bunch at Kink Points?”** AEJ Policy, August 2010.

[OPTIONAL] “[Testing an Expanded Earned Income Tax Credit for Single Adults Year 1 of Paycheck Plus](#)”, MDRC December 2015.

[WEDNESDAY DEBATE TOPIC] “[Earned Income Tax Credit: Small Benefits, Large Costs](#),” Cato Institute

5.4 [INKIND PROGRAMS] FOOD AND NUTRITION PROGRAMS (SNAP)

Hilary Hoynes, “[The Supplemental Nutrition Assistance Program: A Central Component of the Social Safety Net](#),” IRLE Policy Brief, April 2016.

Center for Budget and Policy Priorities, “[Policy Basics: Introduction to SNAP](#)”, March 2016.

Hoynes and Schanzenbach “Consumption Responses to In-Kind Transfers: Evidence from the Introduction of the Food Stamp Program” AEJ Applied
Apt Associates, Summary of Massachusetts Health Incentive Pilot
House Agriculture Committee Testimony on Pros and Cons of Restricting SNAP (PRO by Rachidi and CON by Schanzenbach).

[OPTIONAL] Diane Schanzenbach “Strengthening SNAP for a More Food-Secure, Healthy America,” The Hamilton Project.

[OPTIONAL] VIDEO: Bill Moyers & Company “[Faces of America’s Hungry](#)”,

[OPTIONAL]*Hoynes et al, US News, “[Don’t Call Retreat in the War on Hunger](#)”

5.5 DISABILITY PROGRAMS

Jeffrey Liebman, 2015. "Understanding the Increase in Disability Insurance Benefit Receipt in the United States." Journal of Economic Perspectives, 29(2): 123-50.

Autor and Duggan “Supporting Work: A Proposal for Modernizing the U.S. Disability Insurance System,” The Hamilton Project

Deshpande “Does Welfare Inhibit Success? The Long-Term Effects of Removing Low-Income Youth from Disability Insurance,” American Economic Review 106(11):3300-3330, 2016.

Jeff Guo, “[What happens when you take away disability benefits from kids and their parents,](#)” Washington Post, 12/16/14.

[OPTIONAL] AUDIO: This American Life “[Trends with Benefits](#)”

5.6 HOUSING POLICIES AND THE IMPORTANCE OF PLACE

Chetty et al “The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment” American Economic Review 2016

OPTIONAL Chetty et al “The Impacts of Neighborhoods on Intergenerational Mobility: Childhood Exposure Effects and County-Level Estimates”, working paper.

OPTIONAL Jacob et al “The Impact of Housing Assistance on Child Outcomes: Evidence from a Randomized Housing Lottery,” Quarterly Journal of Economics.

Part 6: INSTITUTIONAL FEATURES OF THE MARKET SYSTEM (PRE-DISTRIBUTION)

6.1 MINIMUM WAGES

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

Dube et al “Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties” Review of Economics and Statistics 2010.

CBO “The Effects of a Minimum-Wage Increase on Employment and Family Income,” 2014.

6.2 BARGAINING POWER, MONOPSONY, AND IMPLICATIONS FOR WAGE INEQUALITY

Unions, Licensing, Firm market Power

Bruce Western and Jake Rosenfeld, "Unions, Norms, and the Rise of U.S. Wage Inequality," *American Sociological Review*, 76(4): 513-537, 2011.

Alana Semuels, "[Fewer Unions, Lower Pay for Everybody](#)," The Atlantic, August 30, 2016.

Kleiner, "[Reforming Occupational Licensing Policies](#)," The Hamilton Project 2015.

CEA, "Labor Market Monopsony: Trends, Consequences, and Policy Responses," Council of Economic Advisors Issue Brief, October 2016

6.3 Active Labor Market Policies

Card, Kluge and Weber, "What Works? A Meta Analysis of Recent Active Labor Market Program Evaluations," NBER WP 21431, 2015.

CEA, "Active Labor Market Policies: Theory and Evidence for What Works," December 2016.

Part 7: INTERVENTIONS THAT AFFECT INCOME-EARNING POTENTIAL

7.1 PRESCHOOL, HEAD START

Claire Montailoux, "[Revisiting the Impact of Head Start](#)," UCB IRLE Policy Brief, September 2016.

Casio and Schanzenbach "The Impacts of Expanding Access to High-Quality Preschool Education" Brookings Papers, 2013

Casio and Schanzenbach "Expanding Preschool Access for Disadvantaged Children," The Hamilton Project

Deming, "Early Childhood Intervention and Life-Cycle Skill Development: Evidence from Head Start," AEJA, 2009.

"[How Head Start Can Make a Difference](#)," Motoko Rich, NYT March 2, 2012

7.2 HEALTH INSURANCE

Krugman, "Health Care 101," New York Times, 2005

Kaiser Family Foundation, "The Uninsured A Primer," 2013

[Oregon Project](#), "Summary of Findings" and "About the Study and "Primary Findings to Date"

Finkelstein et al. "The Oregon Health Insurance Experiment: Evidence from the First Year", Quarterly Journal of Economics, 2012 Aug; 127(3): 1057-1106.

[OPTIONAL] VIDEO: [Last Week Tonight with John Oliver: Medicaid Gap](#) 11-1-15.

[WEDNESDAY DEBATE TOPIC] Mulligan "[How Obamacare wrecks the work ethic](#)" WSJ 10/2/13

Part 8: BONUS TOPICS

8.1 THE GREAT RECESSION, POVERTY AND THE SAFETY NET

Bitler and Hoynes “Heterogeneity in the Impact of Economic Cycles and the Great Recession: Effects Within and Across the Income Distribution” AER May 2015.

Bitler and Hoynes “The More Things Change, the More They Stay the Same? The Safety Net and Poverty in the Great Recession” JOLE January 2016.

Center for Budget and Policy Priorities, “Stimulus Keeping 6 Million Americans Out Of Poverty in 2009, Estimates Show,” 2009

8.2 LONG TERM EFFECTS OF THE SAFETY NET

“Long Term Benefits of SNAP” Council on Economic Advisors, Dec 2015.

Hoynes, Schanzenbach and Almond, “Long Run Impacts of Childhood Access to the Safety Net,” American Economic Review, 2016.

Wherry and Meyer “Saving Teens: Using a Policy Discontinuity to Estimate the Effects of Medicaid Eligibility” Journal of Human Resources, forthcoming

Krugman “[Free to be Hungry](#)” NYT 9/22/13

[OPTIONAL] Brookings short summary on “[fetal programming](#)”