PP290: Poverty and Inequality: Facts, Causes and Policy Solutions  
Spring 2018  
Professor Hilary Hoynes, hoynes@berkeley.edu

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– T/Th 12:30-2:00, 105 GSPP

Instructor Office Hours– Tuesday 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 / Counterpoint 30%
  Class participation (particularly Thur debates) 20%

Readings – There are no required textbooks. Readings are hyperlinked or on Bcourses.
Policy Brief / Counterpoint: An end of course project will consist of an analysis of a current policy proposal. I would like you to seek out a proposal / idea that you disagree with. I would like a counterpoint proposal, and one that uses data and economic reasoning to construct a persuasive counter argument. Feel free to search for content where you like. Here are some possibilities:

- "A Better Way: Our Vision for a Confident America": Poverty, Opportunity and Upward Mobility”, better.gop

Aim for 5 pages single spaced maximum, including some figures as needed. Due during RRR week.

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.

Thursday Debate / Class Participation: Each week I will set aside the last 20 minutes of class to discuss a current issue. I value class participation and I hope you do too.

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 AND SCHEDULE

Part 0: QUICK TAKE ON EMPIRICS OF POLICY EVALUATION

THE EVALUATION CHALLENGE, EXPERIMENTS, QUASI-EXPERIMENTS, DIFFERENCE-IN-DIFFERENCE
Gruber Public Finance, Ch 3
Murnane & Willett, Methods Matter, Ch 1

Part 1: POVERTY, INEQUALITY, INTERGEN MOBILITY: MEASUREMENT AND DEFINITIONS

Brian Keeley, “Income Inequality,” OECD Insights, 2015, Ch. 1, pp 1-14

Part 2: POVERTY, INEQUALITY, INTERGEN MOBILITY: FACTS & TRENDS

2.1 FACTS AND TRENDS: WAGES, EARNINGS, EMPLOYMENT


2.2 FACTS AND TRENDS: POVERTY


2.3 FACTS AND TRENDS: INEQUALITY


2.4 FACTS AND TRENDS: INTERGENERATIONAL MOBILITY

Part 3: POVERTY AND INEQUALITY: CAUSES AND CONSEQUENCES [FEB 1]

3.1 UNDERLYING CAUSES: TRENDS IN WAGE AND EARNINGS

Overview and Education
Lang Ch 5 (pp. 108-115)
“Thirteen Facts about Wage Growth,” The Hamilton Project.

Technology, Mechanization, Trade

Bargaining Power / Monopsony

3.2 UNDERLYING CAUSES: DEMOGRAPHICS

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

“No Money No Time” NYT 6/13/14
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)

Gruber Ch 2 (Sections 2.1-2.2)
Gruber Ch 17 (Sections 17.2-17.5)

Part 5: EVIDENCE ON THE SOCIAL SAFETY NET

5.1 THE SAFETY NET – OVERVIEW

[READ WHEN YOU CAN] 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


5.3 [INWORK BENEFITS] THE EARNED INCOME TAX CREDIT


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


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”

5.5 DISABILITY PROGRAMS


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

5.6 HOUSING POLICIES AND THE IMPORTANCE OF PLACE


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.


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,”**


6.3 Active Labor Market Policies


Career academy from NAS?


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**Part 7: INTERVENTIONS THAT AFFECT INCOME-earning POTENTIAL**

7.1 PRESCHOOL, HEAD START


7.2 HEALTH INSURANCE


Oregon Project, “Summary of Findings” and “About the Study and “Primary Findings to Date”


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Part 8: BONUS TOPICS [TIME PERMITTING]

8.1 THE GREAT RECESSION, POVERTY AND THE SAFETY NET

8.2 LONG TERM EFFECTS OF THE SAFETY NET

[Read one of these two academic articles]
Wherry and Meyer “Saving Teens: Using a Policy Discontinuity to Estimate the Effects of Medicaid Eligibility” Journal of Human Resources.
Neil Irwin, “Supply Side Economics, but for Liberals,” NY Times, 4/16/17
[OPTIONAL] Brookings short summary on “fetal programming”