

**The University of British Columbia**  
Vancouver School of Economics

Economics 317-002: Poverty and Inequality

Professor Nicole M. Fortin

Fall 2019  
Mon, Wed 11:00-12:30 Iona 301

*Syllabus*

Web Site: <https://canvas.ubc.ca/courses/40669>

I. Course Description

This course introduces the measurement and analysis of poverty and inequality, as well as explanations for recent trends. The course will cast a wide view looking at poverty and inequality around the world, but it will take a closer look at inequality and the distribution of earnings in Canada. The course covers the measurement of poverty and inequality, including wealth inequality and intergenerational mobility. The causes of poverty and inequality will focus on explanations related to earnings and the labour market. The course will address redistributive policies, such as taxation and transfer programs, directed toward poverty and inequality, but also the government expenditures and programs that affect earnings. The goal of this course, however, is not to resolve the issues of poverty and inequality but to demonstrate their complexity. By the end of the course, students will be stronger analytical and critical thinkers and will be much more adept at assessing the meaning and limits of arguments based on statistics.

By the nature of the material, this 3-credit course directed at second year BIE students is fairly statistical and quantitative; but prior knowledge of Excel is not required, as the necessary skills will be taught. Several topics make use of intermediate microeconomic concepts, as well as concepts from probability and statistics, so ECON 301 and ECON 327, or equivalent, are co-requisites.

II. Contact Information and Office Hours

The following consultation times at the instructor' offices in the Iona Building are provided exclusively for the students in this course:

Nicole Fortin, East Wing Office 202: Mondays, 1:30-3:30PM

For other arrangements, please see the instructor immediately after class or inquire by e-mail at [nicole.fortin@ubc.ca](mailto:nicole.fortin@ubc.ca). Students can expect a turn-around of 24 hours or less on weekdays.

The teaching assistant for this class will cover the fine points of measurement issues in Excel in the discussion groups and will hold office hours.

III. Expected Schedule of Topics

This *tentative* schedule will be modified to follow the progression of the class. I will evaluate the progression of the class using your informal feedback, as well as analytics coming from CANVAS

quizzes and Top Hat answers. Topics may take more or less time than I anticipate, and I may decide to change the order in which we address various topics. Quizzes and exams will cover material that has been covered in the actual lectures regardless of whether we are ahead of or behind the projected schedule. Detailed information on the required readings for the tests will be posted on the CANVAS course web site.

	Topics	Important Dates
<b>Introduction</b>		
Week 1 - Sept 4	Class organization and overview of inequality trends	
Week 2 - Sept 9	Overview of poverty trends and historical context	
<b>Part I. Income Inequality and Poverty Measures</b>		
Week 2 - Sept 11	Inequality Measures: Within-country	Quiz #1
Week 3 - Sept 16	Inequality Measures: Top income inequality	
Week 3 - Sept 18	Inequality Measures: International comparisons	
Week 4 - Sept 23	Measuring Poverty: Overview, poverty lines, incidence and extent	
Week 4 - Sept 25	Measuring Poverty: International comparisons, U.S. and Canadian measures and trends	Quiz #2
Week 5 - Sept 30	Wealth inequality	
Week 5 - Oct 2	Wealth inequality: International comparisons	Empirical Assignment #1: Due Date
Week 6 - Oct 7	Intergenerational mobility	
Week 6 - Oct 9	Intergenerational mobility: Within-country	Quiz #3
Week 7 - Oct 14	<b>Thanksgiving no class</b>	
Week 7 - Oct 16	Intergenerational transmission of poverty	
Week 8 - Oct 21	<b>Mid-Term Exam</b>	
<b>Part II. Explanations of Inequality and Poverty</b>		
Week 8 - Oct 23	The Labour Force	
Week 9 - Oct 28	Human Capital and Education	Empirical Assignment #2: Due Date
Week 9 - Oct 30	Explanations: Market Forces	
Week 10 - Nov 4	Explanations: Institutional Factors	
Week 10 - Nov 6	Discrimination	Quiz #4
Week 11 - Nov 11	<b>Remembrance Day no class</b>	
Week 11 - Nov 13	Gender Inequality	
<b>Part III. Public Policies to Reduce Poverty and Inequality</b>		
Week 12 - Nov 18	Public Policies: Government Interventions and Policies	
Week 12 - Nov 20	Redistributional Effects of Tax Policies	Empirical Assignment #3: Due Date
Week 13 - Nov 25	Public Policies: Income Maintenance Programs	
Week 13 - Nov 27	Public Policies: Social Assistance programs	Quiz #5

#### IV. Learning Activities and Outcomes

The class will appeal to several types of learning activities.

1. Lectures
  - The instructor will cover the material on substantive economic issues and analytical tools in twice-weekly lectures
  - Students will be prompted to reflect on some questions that assess their understanding and share answers to the class using Top Hat (see course web site on to register)
  - Students' reading of discussion journal articles prior to class will prepare them for additional in-class engagement
2. Tutorials/Discussion groups
  - Students will attend smaller groups tutorials and discussion sessions lead by the TA
  - The fine points of inequality measurement using Excel/Google Sheets will be covered in those classes
  - There will present opportunities for additional discussions of the course material
3. "Homework"
  - The students will test their understanding of the material in quasi- bi-weekly quizzes, which will also serve as preparation to the exams
  - The students will sharpen their skills with empirical methods in the context of 3 empirical assignments done in groups of maximum 3 students

As a result of these learning activities, the students will know how to implement the analytical tools used in policy discussions surrounding poverty and inequality, understand their strengths and limitations. This will enhance their ability to critically assess the writings of academics and practitioners on these issues and to understand the strengths and weaknesses of some of the proposed solutions.

#### V. Assessment of Learning

The assessment of learning will comprise several components, weighted as follows:

- |                                       |     |
|---------------------------------------|-----|
| 1. Incoming Survey:                   | 1%  |
| 2. Class Participation (Top Hat)      | 10% |
| 3. Online quizzes (5):                | 15% |
| 4. Empirical (Excel) assignments (3): | 24% |
| 5. Midterm:                           | 20% |
| 6. Final (comprehensive):             | 30% |

Before the beginning of classes, students are asked to complete an incoming survey concerning their background and interest in topics pertaining to the class. Students should register in the Top Hat platform before the beginning of classes; it is free to register for this class.

During regular classes, students will be asked to answer 3-5 questions on the Top Hat platform. The responses will carry different weights for correctness and participation as indicated in the questions.

Students who experience issues with their devices or miss some classes for one reason or another will be able to answer the Top Hat questions as homework, but will receive 50% of the points.

Every other week, you will be asked to complete at home on-line quizzes on the material covered in class. The short questions from these five quizzes will offer a good preparation for the exams, which will combine short questions with a few longer analytical questions. The quizzes will be posted on the Wednesday and you will have 48 hours to complete them. Submissions late by up to 24 hours will receive 50% of the points; submissions more than 24 hours late will receive no credit. The correct answers and your score on these quizzes will be posted on CANVAS only after the quizzes have closed.

The Empirical assignments will teach you Excel skills needed to compute and evaluate measures of poverty and inequality. Groups of a maximum of 3 students can hand in a single assignment for the group. You are encouraged to use Excel given that the data and some templates for the exercise will be available on CANVAS. Tutorials explaining the Excel skills will be held in the week following the posting of the assignments.

The Midterm and Final exams will comprise a set of short questions, similar to those asked in the quizzes, and a set of longer analytical questions. The short questions are intended to test your overall knowledge of subject matter covered in lectures and conceptual understanding of economics (not the mathematical derivations but a clear understanding of key economic concepts such as elasticities, price/income effect). The longer questions will test your understanding of the assigned readings and the ability to apply such understanding, as well as that of the key economic concepts to new material, for example, interpretation of tables and graphs.

### **Academic Integrity**

As usual, there is a policy of zero tolerance towards academic dishonesty. The minimum penalty for any incident of academic dishonesty will be an automatic grade of zero in the relevant course requirement. At my sole discretion, you may have additional marks subtracted from your class grade, receive a grade of zero in the course, and be reported to the faculty for further disciplinary action.

### **Dispute Resolution, Missed Assignments, Quizzes or Exams**

Students who would like the grader to review their assignments or exams should direct their questions in writing to the grader first. If they are unable to resolve the dispute, the dispute should be directed to the instructor. Students who miss a quiz under valid grounds for [Academic Concessions](#), will see the weight of that quiz transferred to the other quizzes. Students who miss the midterm exam under valid grounds for [Academic Concessions](#), will see the weight of that exam apply to the final exam. There will be no remake quizzes or differed mid-term exams. Students must contact me via email as soon as they are aware they may need an in-term concession. Please include a Student Self-Declaration form, found on the [Arts Advising website](#). Students requiring a second concession must make their request to Faculty Advising Office. Students will not be allowed to miss the final exam for travel reasons. Students who experience ongoing medical and/or learning difficulties should register with [Centre for Accessibility](#) to get academic accommodations and other supports at UBC. The Center also handles differed final exams.

## University Policies

UBC provides resources to support student learning and to maintain healthy lifestyles but recognizes that sometimes crises arise and so there are additional resources to access including those for survivors of sexual violence. UBC values respect for the person and ideas of all members of the academic community. Harassment and discrimination are not tolerated nor is suppression of academic freedom. UBC provides appropriate accommodation for students with disabilities and for religious observances. UBC values academic honesty and students are expected to acknowledge the ideas generated by others and to uphold the highest academic standards in all of their actions.

Details of the policies and how to access support are available on [the UBC Senate website](#).

### VI. Textbook and Readings

The textbook for this course is available as e-book or hardcover. This optional textbook covers the main topics seen in class and more.

- Wolff, E.N., 2009. [Poverty and income distribution](#). 2<sup>nd</sup> Edition, John Wiley & Sons, Ltd. Because this text focuses mostly on the United States and is ten years old, it will be supplemented by more recent material considering global and Canadian issues. The course lecture slides plus the required readings will cover the material that you will be responsible for. A detailed list of these materials plus a list of concepts to be examined will be posted prior to the exams. In the same way as students are responsible for buying the textbook if so desired, the students are responsible for downloading the course lecture slides and other material in a timely fashion. The material may no longer be available after the end of the term.

The reading list below also include additional optional advanced and more in depth readings denoted by the dagger † ; they are offered as a guide to the literature for students wishing to pursue the topics in greater details.

Most of the readings are available in electronic form with UBC links using [Google scholar](#) for example. If you are connecting from off-campus you may need to use the UBC Library EZproxy server: <https://login.ezproxy.library.ubc.ca/login>. Additional information will be posted on the course website.

### VII. Reading List

Note: It is likely that the list of the readings below will be modified to follow the progression and needs of students. Other links to news or opinion articles and reports will be posted on the CANVAS Reading List page.

#### 1. Introduction

##### a. Overview of inequality and poverty trends

Wolff, Chap. 2.2, 2.3, and 2.5 (Review the appendix on national accounts if needed)

##### b. Historical context of views on poverty and inequality

Koyama, Mark. "[Walter Scheidel: The great leveler: violence and the history of inequality from the stone age to the twenty-first century](#)." *Public Choice* (2017): 545-548.

## Part I. Income Inequality and Poverty Measures

### 2. Measuring Income Inequality

#### a. Within-Country Inequality

Wolff, Chap. 3.1-3.2 (except starred sub-sections)

Fortin, Nicole M. and Thomas Lemieux (2015) "[Changes in Wage Inequality in Canada: An Interprovincial Perspective](#)", *Canadian Journal of Economics*, 48 (May): 682-692.

#### b. International Comparisons including Top Incomes

Wolff, Chap. 3.4 (except starred sub-sections)

[World Inequality Report 2018 Executive Summary - WID.world](#), pp.1-9

Saez, Emmanuel (2017) [Income and Wealth Inequality: Evidence and Policy Implications](#), *Contemporary Economic Policy* 35(1), pp. 7-11.

#### c. The Gini Coefficient and the Kuznets Curve

Wolff, Chap. 3.3, 3.5 (except starred sub-sections)

Toyama, Kentaro [The Rise and Fall and Rise \(Literally\) of the Most Important Curve in Economics](#), *The Atlantic* (April 30, 2012)

### 3. Measuring Poverty

Wolff, Chap. 4 (except starred sub-sections)

+ [World Bank Handbook on Poverty and Inequality: Measures of Poverty, Chapter 4](#)

Banerjee, Abhijit V., and Esther Duflo (2007) "[The Economic Lives of the Poor.](#)" *Journal of Economic Perspectives* 21(1): pp. 141-151.

+ [World Bank Handbook on Poverty and Inequality: Poverty Lines, Chapter 3](#)

+ Meyer, Bruce D., and James X. Sullivan (2012) [Winning the War: Poverty from the Great Society to the Great Recession](#), *Brookings Papers on Economic Activity* 2012(2): 133-200.

[Current Population Survey Overestimates Poverty Rate](#), in the February 2016 NBER Digest by Jay Fitzgerald, one page summary of "Using Linked Survey and Administrative Data to Better Measure Income: Implications for Poverty, Program Effectiveness, and Holes in the Safety Net (NBER Working Paper No. [21676](#)), Bruce D. Meyer and Nikolas Mittag.

[Low Income Lines: What they are and how they are created](#), Statistics Canada, 2016

### 4. Wealth Inequality

Wolff, Chap. 5

+ Davies, J.M., N.M. Fortin, and T. Lemieux (2017) [Wealth Inequality: Theory, Measurement and Decomposition](#), *Canadian Journal of Economics* 50(5): 1224–1261 (except section 3).

[The Housing Market Crash and Wealth Inequality in the U.S.](#), in the January 2018 NBER Digest by Jen Deaderick, one page summary of Wolff (2017), NBER Working paper No. 24085.

### 5. Intergenerational Mobility

Wolff, Chap 6.1, 6.4, 6.6

Corak, Miles (2013) [Income Inequality, Equality of Opportunity, and Intergenerational Mobility](#). *Journal of Economic Perspectives*, 27(3), pp. 79-102.

6. Children and the Intergenerational Transmission of Poverty  
 Bradbury, Bruce, Miles Corak, Jane Waldfogel, and Elizabeth Washbrook. "[Too Many Children Left Behind: The US Achievement Gap in Comparative Perspective.](#)" (2015). Chap. 2.  
 +Bird, Kate (2013) "[The intergenerational transmission of poverty: An overview.](#)" In [Chronic Poverty](#), Ed. by A. Shepherd, J. Brunt. pp. 60-84. Palgrave Macmillan, London,  
 Chetty, Raj, Nathaniel Hendren, Frina Lin, Jeremy Majerovitz, and Benjamin Scuderi (2016) [Childhood Environment and Gender Gaps In Adulthood](#), *American Economic Review* 106(5): 282-288.

## Part II. Explanations of Inequality and Poverty

7. The Labour Force, Employment and Unemployment  
 Wolff, Chap 7  
 Anu Madgavkar, A., Manyika, J., Krishnan, M., Ellingrud, K., Lareina Yee, L., Woetzel, J., Chui, M., Hunt, V., Balakrishnan, S. (2019) [The Future of Women at Work –Transitions in the Age of Automation](#). McKinsey Global Institute Report.
8. Human Capital, and Education  
 Wolff, Chap.8 (except starred sections)  
 Autor, D. H (2014) [Skills, Education, and the Rise of Earnings Inequality Among the ‘Other 99 Percent.](#) *Science* 344, no. 6186 (May 22): 843–851.
9. Explanations for Changing Earnings Inequality  
 a. Market Forces  
 Wolff, Chap.11 (except 11.9 and 11.10)  
 Autor, D. H., (2010) [The Polarization of Job Opportunities in the U.S. Labor Market](#), Center for American Progress and the Hamilton Project, April 2010, pp.1-7 and Conclusions.  
 Bivens, J. and Shierholz, H. (2018) [What Labor Market Changes Have Generated Inequality and Wage Suppression?](#) Economic Policy Institute Report.
- b. Institutional Factors  
 Wolff, Chap.9.1-9.2, 9.4 (except starred sections), Chap. 15.7  
 Fortin, Nicole M., and Thomas Lemieux (1997) [Institutional changes and rising wage inequality: is there a linkage?](#) *Journal of Economic Perspectives* 11, no. 2: 75-96.  
[New Evidence that Unions Raise Wages for Less-Skilled Workers](#) in the September 2018 NBER Digest by Steve Maas, one page summary of Henry S. Farber, Daniel Herbst, Ilyana Kuziemko, and Suresh Naidu, “Unions and Inequality over the Twentieth Century: New Evidence from Survey Data” (NBER Working Paper No. 24587).
10. Discrimination  
 Wolff, Chap.12.1-12.3  
 Bertrand, Marianne and Sendhil Mullainathan (2004). [Are Emily and Greg More Employable than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination.](#) *American Economic Review*, 94(4), pp. 991-1013.

### 11. Gender Inequality

Wolff, Chap.14 (except 14.4)

Fortin, Nicole (2019) [Increasing Earnings Inequality and the Gender Pay Gap in Canada: Prospects for Convergence](#), *Canadian Journal of Economics*, 52(2): 407-440. Sections 1-3.

## **Part III. Public Policies to Reduce Poverty and Inequality**

### 12. Redistributional Effects of Tax Policies

Wolff, Chap.16 (except 16.5)

Fortin, Nicole, Green, David A., Lemieux, Thomas, Milligan, Kevin and W. Craig Riddell (2012) [Canadian Inequality: Recent Developments and Policy Options](#). *Canadian Public Policy*, 38(2), 121-145.

+ Alstadsaeter, Annette, Niels Johannesen, and Gabriel Zucman (2017) [Who Owns the Wealth in Tax Havens? Macro Evidence and Implications for Global Inequality](#), NBER Working Paper 23885

### 13. Transfers Programs and Pre-distribution Public Policies

Wolff, Chap.15 (except 15.5)

Hoynes, Hilary W., Marianne E. Page and Ann Huff Stevens, (2006) [Poverty in America: Trends and Explanations](#), *Journal of Economic Perspectives*, 20(Winter): 47-68

Francese, Maura and Delphine Prady (2018) [What Is Universal Basic Income? Proponents hail simplicity and equity; skeptics worry about fiscal cost and incentives](#), *IMF Finance & Development*, 55(4).

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