

**Economics of Poverty and Public Policy**  
**ECON 4350**  
**Spring 2019**

**Instructor: Alexa Prettyman**

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**Office:** Andrew Young School of Policy Studies (AYS). Room 556 J

**Office Hours:** Tuesday 11:30am-1:30pm

Wednesday 10am-12:30pm

Email me to schedule an appointment if the times above do not work for your schedule.

Also, I have an open door policy, so feel free to stop by anytime.

**Class Meeting Time/Place:** TR 9:30am-10:45am/ Langdale Hall 215

**Prerequisites:** ECON2105 or ECON2106 (or equivalent to be approved by instructor). Strongly recommended are intermediate microeconomics and a course in statistics. This course will use math with some calculus, and will include data analysis. You should understand how to take a simple derivative, and concepts such as preferences, utility, supply and demand.

**Purpose:**

This course applies economic principles to exploring the debate surrounding the concept of poverty in the United States and to a lesser extent elsewhere in the world. Some of the questions that we will study include:

How is poverty defined?

How is poverty measured?

Why are some people poor and not others?

How well do poverty alleviation programs work?

**Course Learning Outcomes:**

By the end of this course you should be able to:

1. Describe the extent of poverty in the United States and how it is measured
2. Critically analyze the causes of poverty
3. Evaluate the actual and potential responses of the private and public/government sectors to the problem

With these goals in mind, the course is broken up into four main components (Introduction, Definitions, & Measuring Poverty, Origins of Poverty, Policies & Programs, and Global Poverty).

**Essential course materials:**

**1. Suggested Textbook:**

- Wolff, E.N. (2009). *Poverty and Income Distribution*. Wiley-Blackwell. 2E.

**2. Readings:**

Because this is a seminar (not a lecture), your attendance and participation is key. You will have weekly readings (on which exams and problem sets will partly be based).

**3. Additional Books of Interest:**

- Acemoglu, D. & Robinson, J. Why Nations Fail: The origins of power, prosperity, and poverty. Crown Publishers.
- Banerjee, A. & Duflo, E. Poor Economics: a radical rethinking of the way to fight global poverty. Public Affairs.

- Collier, Paul. The Bottom Billion: Why the poorest countries are failing and what can be done about it. Oxford University Press.
- Easterly, William. The Elusive Quest to Growth: Economists' adventures and misadventures in the tropics.
- Sachs, Jeffrey. The End of Poverty: Economics possibilities of our time. The Penguin Press.

#### **4. iCollege:**

Important course information will be posted on iCollege, including all problem sets, readings, lecture slides, and grades. It is your responsibility to check iCollege regularly.

#### **5. Email:**

You are expected to check your GSU email daily. The university sends important messages about road closings, safety, and inclement weather to this email. I will occasionally use this method to send announcements, miscellaneous assignments, or contact students individually. There is a way to set up your account so that GSU emails get forwarded to your personal email. More importantly, when writing an email to a professor/instructor or colleague, remember to be professional. There should be an appropriate heading and closing, write in complete sentences, use punctuation, and reread before sending. An email is not a text message. I will not respond to unprofessional emails. Checking your email regularly and being professional is an important habit to develop not only for my class, but for life in the “real world.” **When emailing me about class, always write “ECON4350” on the subject line.**

#### **Attendance Policy:**

Students who attend class have higher academic and personal outcomes. Class attendance is *highly encouraged*. Materials for exams and homework will come from both class lectures and readings. Missed in-class activities, quizzes, and discussions cannot be made up. Students missing class should consult with a classmate to determine what was missed.

*Learning is a reciprocal process: what you put in it is what you get out.*

#### **Grading Policy:**

See the following tables for details on how grades will be determined. I reserve the right to curve grades (upward or downward).

Component of Grade	Weight	Date
Problem Sets	10%	PS1: Feb. 7 PS2: Mar. 12
Reading Quizzes	10%	Throughout the semester
Class Participation	10%	Throughout the semester
Exam 1	20%	February 14, 2019
Exam 2	20%	April 16, 2019
Group Policy Exercise	30%	Proposal: April 25, 2019 @ 11:59pm Presentation: May 7, 2019
Total	100%	

Course Grade	Evaluation
A+	your grade $\geq 97\%$
A	$\geq 93\%$
A-	$\geq 90\%$
B+	$\geq 87\%$
B	$\geq 83\%$
B-	$\geq 80\%$
C+	$\geq 77\%$
C	$\geq 73\%$
C-	$\geq 70\%$
D	$\geq 60\%$
F	< 60%

**Exams and Make-up Policy:**

Exams will have exercises (economic problems to solve) and questions from the readings. Each exam is equal weight and cumulative in the sense that there are some concepts that will reoccur all semester and must be mastered. In general, there will be absolutely **no make-up** exams.<sup>1</sup>

**Problem Sets:**

There will be 2 problem sets assigned throughout the semester to be completed, turned in, and graded on completion and accuracy. **No late submissions will be accepted.** Problem sets will have a problem or two, plus questions about the readings. You may collaborate with peers on these assignments; however, I want everyone to turn in their **own individual work.**

**Reading Quizzes:**

I will give very short quizzes to make sure you've done the readings. If you read, they'll be easy. You may drop one quiz grade.

**Group Policy Exercise:**

Make a policy recommendation on a topic of my choosing, including thorough background research, good economic thinking, and a clear policy proposal. The purpose is to introduce you to the nuts and bolts of creating a proposal. Not everyone in the group necessarily gets the same grade.

You will work in groups of 3-5 with the following requirements:

1. In-class presentation from the group lasting about 10 minutes, followed by questions from me and the class.
2. A 2-4 page (12pt TNR) summary of your proposal. Provide references in an attached bibliography (not included in page count).

**Class Participation:**

Throughout the semester there will be various opportunities to earn points towards class participation. A total of 10 points must be acquired to earn full credit towards your grade for this category, and up to 20 points can be earned. The additional 10 points can count towards your lowest exam score. **Regular class attendance and participation will satisfy the minimum for this requirement.** Missed in-class assignments and discussion cannot be made up. Refer to the **ECON4350\_Misc. Assignments** document for information about additional opportunities that will enhance both your learning and college experience, in which you may participate for "extra credit."

**Class Discussion:** Often there will be discussion based lectures in which class participation points can be earned. (Potential points: 1-2points/lecture)

**Exit Quizzes:** On occasion, short quizzes (1-2 questions) will be given at the end of class to test understanding of class material. Correct answers will yield 2pts toward your class participation grade and incorrect quizzes will yield 1pt (assuming first and last name included).

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<sup>1</sup> If you miss the exam due to legitimate illness, you must contact me within **24 hours** of the exam, and I will *consider* administering a makeup. Failure to do so will result in a zero on the exam.

## **Life Learning Outcomes:**

Students will:

1. develop professional communication and writing skills.
2. develop/enhance their time management skills.
3. learn how to engage and work with students different from themselves.
4. gain a better sense of community with GSU to create a sense of belonging.
5. continue to understand which learning and study techniques work best for them. Everyone learns differently and at different paces.
6. better understand their individual interests and strengths.

## **Additional Notes:**

1. *The course syllabus provides a general plan for the course; deviations may be necessary.*
2. All students are responsible for knowing and adhering to [GSU's Policy on Academic Honesty](#) as published in [Student Code of Conduct Handbook](#). Some unacceptable actions to be aware of include but are not limited to:
  - a. Plagiarism: Presenting another person's work as one's own
  - b. Cheating on exams: Giving or receiving unauthorized help before, during, or after an exam
  - c. Falsification: Signing another person in for attendance or adding their name to an assignment they did not contribute to
3. Your constructive assessment of this course plays an indispensable role in shaping education at Georgia State. Upon completing the course, please take time to fill out the online course evaluation.
4. Students who wish to request accommodation for a disability may do so by registering with the [Office of Disability Services](#). Students may only be accommodated upon issuance by the Office of Disability Services of a signed [Accommodation Plan](#) and are responsible for providing a copy of that plan to instructors of all classes in which accommodations are sought.
5. Students who withdraw after the midpoint of each term will not be eligible for a "W" except in cases of [Emergency Withdrawal](#).
  - a. Withdrawal Policy: <http://advisement.gsu.edu/self-service/policies/withdrawal-policy/>
  - b. Repeat to Replace Policy: <http://advisement.gsu.edu/self-service/policies/repeat-to-replace-policy/>
  - c. Grade Appeal and Change (including Incomplete Grades) Policy:  
<http://registrar.gsu.edu/academic-records/grading/grade-appeals-and-changes/>
6. Important University dates can be found at <http://registrar.gsu.edu/registration/semester-calendars-exam-schedules/>
7. Georgia State University values diversity and is committed to fostering and maintaining an educational environment which appreciates individual differences in all areas of operation including classroom instruction, texts, and materials. To this end, any actions, practices, or processes by any faculty, staff person, or student that discriminates against or is prejudicial toward any person or group based on race, gender, age, religion, ethnicity, nationality, disability, sexual orientation, or socioeconomic status will not be tolerated.

## Lecture Outline of Readings & Assignments

### **I. Introduction, Definitions, and Measurement**

Lecture 1 – Jan. 15: Introduction - Poverty vs. Inequality

What is the difference between poverty and inequality? Why might we care?

- Wolff Ch. 1.1

Lecture 2 – Jan. 17: Distributions

Means, medians, distributions, and percentiles. Income distribution in the U.S.

- Wolff Ch. 3.1-3.2
- Norton & Ariely. 2011. Building a Better America – One Wealth Quintile at a Time

### **Friday, Jan. 18 – Last day to withdraw (for full refund)**

Lecture 3 – Jan. 22: Measuring poverty

Official, Supplemental, Income, and consumption based poverty measures.

- Wolff Ch. 4.1 & 4.2
- Haveman and Mullikin. "Alternatives to the Official Poverty Measure: Perspectives and Assessment."
- Short. 2011. "Who is Poor? A New Look with the Supplemental Poverty Measure."

Lecture 4 – Jan. 24: Counting the poor

Poverty indices and Gini coefficients.

- Wolff. Ch. 3.3-3.6; 4.3-4.4

### **II. Origins of Poverty – Education, early childhood, and inequality**

Lecture 5 – Jan. 29: Education 1a – Human capital investments

Human capital theory and returns to schooling.

#### **PS1 POSTED**

- Wolff, 8.1-8.2 (8.3 is optional).
- Ehrenberg, ch. 9. (similar to Wolff but easier.)

Lecture 6 – Jan. 31: Education 1b – Human capital investments

Trends in education.

- Kalil. 2014. Addressing the Parenting divide.
- Bailey & Dynarski. 2011: Gains and Gaps: Changing inequality in US college entry and completion. NBER working paper 17633.
- Reardon, S. 2011. The Widening Academic Achievement Gap Between the Rich and the Poor: New Evidence and Possible Explanations.

Lecture 7 – Feb. 5: Education 2a

Head start, Pre-k, and early childhood.

- Cascio & Schanzenbach. Expanding preschool access.
- Duncan, Ludwig, & Magnuson. Reducing Poverty through preschool interventions.
- Belfield, Nores, Barnett, & Schweinhart (2005). The High/Scope Perry Preschool Program Cost–Benefit Analysis Using Data from the Age-40 Followup.

Lecture 8 – Feb. 7: Education 2b

Student loans and Pell

#### **PS1 DUE**

- Dynarski & Scott-Clayton (2013). Financial Aid Policy: Lessons from Research.

Lecture 9 – Feb. 12: Non-school Inputs

Families, Neighborhoods, & Moving to Opportunity

- A Summary Overview of Moving to Opportunity: A Random Assignment Housing Mobility Study in Five U.S. Cities
- Chetty & Hendren. 2015. The Impacts of Neighborhoods on Intergenerational Mobility: Childhood Exposure Effects and County-Level Estimates.
- Chyn. 2016. Moved to Opportunity: The LR Effect of Public Housing Demolition on Labor Market Outcomes.

**Feb. 14: Exam 1.**

Will cover all reading and lectures up to this point.

**III. Policies and Programs**

Lecture 10 – Feb. 19: Inequality and Intergenerational Mobility

Interaction between education finance and income taxes. Real v. nominal income. Average v. marginal tax rates.

- Wolff, 16.3-16.4
- Wolff, 2.3
- Herrington, C. 2015. Public education finance, earnings inequality, and intergenerational mobility.
- Moretti, E. 2013. Real Income Inequality.
- Miller, A. & Zhang, L. 2009. Intergenerational effects of welfare reform.

Lecture 11 – Feb. 21: Wages & Min Wage

What should the minimum wage be?

- Labor economics pages 21-39 (posted on iCollege)
- Wolff 15.7
- Dube, A. Designing Thoughtful Minimum Wage Policy at the State and Local Levels.

Lecture 12 – Feb. 26: Work Programs: EITC

How does EITC affect work and earnings?

- Labor economics pages 54-64 (posted on iCollege)
- Hoynes, H. Building on the success of the EITC.
- Wolff 15.6

Lecture 13 – Feb. 28: Anti-poverty programs 1

Background on welfare programs: Negative Income Tax, UI, AFDC & TANF

**PS2 POSTED**

- Wolff 15.1-15.3, 15.5
- Ziliak, J. et al. 2000. Accounting for the Decline in AFDC Caseloads: Welfare Reform or the Economy?

Lecture 14 – Mar. 5: Anti-poverty programs 2

Snap, WIC, and thinking more about why we have welfare.

**Last day to withdraw**

- Wolff 15.8
- Herring, B. & R. Moffitt. 2018. Food security, health, and healthcare utilization.

## Lecture 15 – Mar. 7: Health

### Medicaid and Medicare. Health and Income gradient.

**Final presentation topics lottery. Make sure you're in class.**

- Paradise & Garfield. 2013. What is Medicaid's impact on access to care, health outcomes, and quality of care?

## Lecture 16 – Mar. 12: Urban Issues

Income Inequality and Affordable Housing

PS2 DUE

- Wolff 15.2.4
  - Florida. 2017. Income Inequality is making rent even less affordable.  
<https://www.citylab.com/equity/2017/08/how-inequality-and-rents-go-together/537798/>
  - Baum-Snow, Freedman, & Pavan. 2018. Urban Income Inequality.
  - Glaeser, Kahn, & Rappaport. 2007. Why do the poor live in cities? The role of public transport.

## **IV. Working with data**

Lecture 17a – Mar. 14: Data

Half of class will meet on 7th floor of the Andrew Young School.

**Spring Break: Mar. 19&21**

Lecture 17b – Mar. 26; Data

The other half of class will meet on 7th floor of the Andrew Young School.

## **V. Global poverty**

Lecture 18 – Mar. 28: Global poverty 1a

## Trends, definitions, Millennium Development Goals

Lecture 19 – Apr. 2: Global poverty 1b

### **Causes/symptoms and Poverty traps**

- Banerjee & Duflo. 2007. The Economic Lives of the Poor.

Lecture 20 – Apr. 4: Global poverty 2a

## Experiments in development

- J-PAL policy brief: Up in smoke
  - J-PAL policy brief: Cleaner water at the source
  - J-PAL policy brief: Deworming
  - J-PAL policy brief: The price is wrong

## Lecture 21 – Apr. 9: Global poverty 2b

Conditional cash transfers & more experiments in development

- Mexico's Oportunidades Program
  - The economic rationale for Conditional Cash transfers

## Lecture 22 – Apr. 11: Institutions v. Foreign Aid

Which is the best approach to alleviating global poverty? What are the reasons on both sides?

- Poor Economics (Banerjee & Duflo)
  - The Bottom Billion (Collier) • The Elusive Quest to Growth (Easterly)
  - Why Nations Fail (Acemoglu & Robinson) • The End of Poverty (Sachs)

**Exam 2: Apr. 16**

Majority of focus on Section III - Policies and Programs and Section V- Global Poverty; however, some important topics from Section I and Section II may appear.

**VI. Special Topics**

Lecture 23 – Apr. 18: Discrimination

Discrimination and prejudice.

- Wolff 12.1-12.6
- Lin & Harris. 2009. The Colors of Poverty

Lecture 24 – Apr. 23: Is inequality inevitable?

- Piketty & Saez. 2003. Income Inequality in the US
- Mankiw. 2013. Defending the 1%

Lecture 25 – Apr. 25: Last Day of Class

Wrap Up, Work Day

**Summary of Proposal due at 11:59pm**

**Tuesday, May 7 (8am-10:30am): Final presentations**

<https://registrar.gsu.edu/files/2018/12/Sprng-2019-Final-Exam-Schedule-Atlanta-Campus-2.pdf>