

## **Welfare, Inequality, and Poverty: History, Theory, and Estimation**

### **Course instructors**

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### **Course description**

The course focuses on the analysis of welfare, poverty and inequality. It covers four main topics, namely *i*) the conceptualization of the standard of living, *ii*) the measurement of poverty and inequality, *iii*) the historical reconstruction of these measures in the long run (early 19<sup>th</sup> century to the present day), and *iv*) statistical and econometric techniques employed for the estimation of poverty and inequality, using modern household-level survey data.

### **Course schedule**

Part I – History and Theory

#### **Lecture 1**

##### **The Economics of Inequality and Poverty**

Main references:

- Bourguignon, F. (2017). *The globalization of inequality*. Princeton University Press.
- Ferreira, F.H.G. (2012). “Distributions in Motion: Economic Growth, Inequality, and Poverty Dynamics.” *The Oxford Handbook of the Economics of Poverty*.
- Lakner, C., and Milanovic, B. (2016). “Global income distribution: From the fall of the Berlin Wall to the Great Recession.” *The World Bank Economic Review*, 30(2), 203-232
- Ravallion, M. (2016). *The Economics of Poverty. History, Measurement and Policy*. New York and Oxford: Oxford University Press.

## **Lecture 2**

### **Constructing a Welfare Indicator**

Main references:

- Deaton, A. and Zaidi, S. (2002). “Guidelines for Constructing Consumption Aggregates for Welfare Analysis.” *LSMS Working Paper No. 135*. Washington, DC: The World Bank.
- Mancini, G. and G. Vecchi (2021), *On the Construction of a Welfare Indicator for Inequality and Poverty Analysis*, Washington, DC: The World Bank.

## **Lecture 3**

### **Measuring Inequality**

Main references:

- Cowell, F. (2011), *Measuring Inequality*, OUP.
- Atkinson, A. B. (1970). “On the measurement of inequality”. *Journal of economic theory*, 2(3), 244-263.
- Shorrocks, A. F. (1980). “The class of additively decomposable inequality measures.”, *Econometrica*, 613-625.

## **Lecture 4**

### **Poverty Lines**

Main references:

- Ravallion, M. (1994). *Poverty Comparisons*. London: Routledge.
- Ravallion, M. (1998). *Poverty lines in theory and practice*. LSMS Working Paper No. 133. Washington, D.C.: The World Bank.

## **Lecture 5**

### **Measuring Poverty**

Main references:

- Foster, J., Greer, J., and Thorbecke, E. (1984). “A class of decomposable poverty measures”, *Econometrica*, 761-766.
- Ravallion, M. (2016). *The Economics of Poverty. History, Measurement and Policy*. New York and Oxford: Oxford University Press.

## Lecture 6

### Reconstructing poverty and inequality in the long run

#### Main references

- A’Hearn, B., Amendola, N., and Vecchi, G. (2016). “On historical household budgets.” *Rivista di Storia Economica*, 32(2), 137-176.
- Bourguignon, F., and Morrisson, C. (2002). “Inequality Among World Citizens: 1820-1992.”, *American Economic Review*, 92(4): 727-744.
- Milanovic, B., Lindert, P. H., and J.G. Williamson (2011). Pre-industrial inequality. *The Economic Journal*, 121(551), 255-272.
- Vecchi, G. (2017). *Measuring wellbeing: a history of Italian living standards*. Oxford University Press.

## Part II – Estimation

## Lecture 7

### Outlier detection and treatment

#### Main references

- Cowell, F. A., and Flachaire, E. (2007). Income distribution and inequality measurement: The problem of extreme values. *Journal of Econometrics*, 141(2), 1044-1072.
- Cowell, F. A., and Flachaire, E. (2015). Statistical methods for distributional analysis. In *Handbook of income distribution* (Vol. 2, pp. 359-465). Elsevier.
- Cowell, F., and Victoria-Feser, M. (1996a). Robustness Properties of Inequality Measures. *Econometrica*, 64(1), 77-101

- Cowell, F. A., and Victoria-Feser, M. P. (1996b). Poverty measurement with contaminated data: A robust approach. *European Economic Review*, 40(9), 1761-1771.
- Rousseeuw, P. J., and Croux, C. (1993). Alternatives to the median absolute deviation. *Journal of the American Statistical Association*, 88(424), 1273-1283.

## **Lecture 8**

### **Estimating Poverty and Inequality in Stata**

#### Main references

- Deaton, A. (1997). *The analysis of household surveys: a microeconomic approach to development policy*. The World Bank.
- Duclos, J. Y., and Araar, A. (2006). *Poverty and equity: measurement, policy and estimation with DAD*. IDRC.

## **Lecture 9**

### **Distributions in motion: inequality and poverty dynamics in Stata**

- Atkinson, A. B. (1987). On the measurement of poverty. *Econometrica*, 749-764.
- Datt, G., and M. Ravallion (1992). "Growth and redistribution components of changes in poverty measures: A decomposition with applications to Brazil and India in the 1980s.", *Journal of Development Economics*, 38(2), 275-295.
- Ravallion, M., and S. Chen (2003). "Measuring pro-poor growth." *Economics Letters*, 78(1), 93-99.

## **Duration**

18 hours

## **Exam**

Written.