Inequality and Poverty: Measurement and Applications

ADC 7010

Winter 2014

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Introduction

This course is designed to introduce measures of inequality and poverty and discuss their meaning and applications. Topics covered in the course include: growth-inequality-poverty relationships, Kuznets hypothesis, meaning of inequality (income homogeneity, population homogeneity, and transfer principle), Lorenz curves and Lorenz comparisons, Lorenz-consistent inequality measures and decomposable inequality measures, Gini coefficient and its decomposition by factor components, generalized entropy class of measures (e.g., Theil indices) and their decomposition by population sub-groups, measurement of regional income inequalities, and measures of poverty such as the Foster-Greer-Thorbecke (FGT) index. Some STATA commands are introduced in computer workshops to conduct inequality and poverty analyses with actual household survey data from Indonesia (Susenas data).

All the students are responsible for the lecture materials and the required readings. But, many of the readings (papers and book chapters) listed in the Course Schedule and Suggested Readings are just for your reference. Some homework sets will be assigned. There will be a midterm examination. Additionally, a short research paper will be required. The research paper should be written by a group of 3 students. The research paper should be no longer than 10 1.5-spaced, type-written pages including figures and tables (using the font Times New Roman 12 points).

The general policies of the Graduate School of International Relations apply. This means that all students are expected to attend class regularly. Personal illness or family emergency, but not placement activities, are considered grounds for excused absences. Penalties for unexcused absences will be reflected in the class participation component of the course grade.

Course Evaluation

In determining your course grade, your work will be evaluated approximately in accordance with the following weights:

- Midterm Examination 30%
- Term paper 50%
- Homework assignments 10%
- Presentation 10%

Office Hours

My regular office hours will be as follows:

- Tuesday 15:00-16:00; Wednesday 14:30-15:30 (if there is no faculty meeting)
You may come to my office anytime other than these time periods, but it should be done by prior appointment.

**Recommended Texts**


**Course Schedule and Suggested Readings**

(*) indicates that the papers are very technical.

**Week 1**

**Course Introduction**

**Relationship between Growth, Inequality, and Poverty**


**Meaning of Inequality**

Week 2

Measuring Economic Inequality 1: Lorenz Curves and Lorenz Comparisons

Measuring Economic Inequality 2: Lorenz-consistent Inequality Measures and Decomposable Inequality Measures

Week 3

Measuring Economic Inequality 3: Gini Coefficient, Coefficient of Variation and their Decomposition by Income Sources
- (Anand 1983) Appendix B: The Gini Coefficient, pp.311-326. (*)

Week 4

Measuring Economic Inequality 4: Generalized Entropy Class of Measures (e.g., Theil Indices) and Their Decomposition by Population Sub-groups
- (Anand 1983) Appendix C: The Decomposition of Three Inequality Measures, pp.327-332. (*)
**Week 5**

**Measuring Poverty: Head Count Ratio and Foster-Greer-Thorbecke (FGT) Index**

- (Fields 2001) Chapter 4: The Measurement of Poverty, pp.73-94.

**Week 6**

Midterm Examination

**Week 7**

**Measuring Economic Inequality 5: Weighted Coefficient of Variation, Theil Indices, and Their Applications to the Measurement of Regional Income Inequalities**


**Week 8, 9 and 10**

**Presentation of Papers on Inequality in Indonesia**

- Akita, T., and J.K. Szeto, 2000, ‘Inpres Desa Tertinggal (IDT) program and


**Presentation of Papers on Poverty in Indonesia**