



Sol Price School of Public Policy

PPDE 661 Methods for Equity Analysis

Fall 2015 Mondays 2:00 pm – 5:20 pm

Location: RGL 209

Instructor: Julie Zissimopoulos, Ph.D.

Biography: <http://healthpolicy.usc.edu/Faculty.aspx>

Office: Schaeffer Center, 2nd Floor, VPD 214C

Office Hours: Tuesdays 9:00 – 10:00 am

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Course Description

This is an applied econometric methods course that focuses on how to measure inequality, factors driving inequality, the consequences of inequality and the effectiveness of policies to combat inequality. We will read empirical literature that informs these topics and analyze the empirical methods that are used. Topics are approached from an economics perspective. Other important perspectives, such as political and ethical, are not specifically covered in this class.

Learning Objectives

Students are expected to achieve a solid understanding of the topics, theories and empirical methods discussed in class. Students are expected to hone their skills in using data to address topics in equity analysis, and research skills required for writing research papers and policy pieces and for presenting research results. This will be achieved through lectures, discussions, in-class student presentations and activities, writing and data analysis assignments and completion of a final project.

Prerequisite(s): PPD558 Multivariate Statistical Analysis or equivalent

Course Notes

The course utilizes Blackboard for posting lecture slides, assignments, syllabus and readings. In-class activities will require a student to use his/her computer for data analysis. Stata software is required for in-class data analysis and for assignments.

Technological Proficiency and Hardware/Software Required

REQUIRED

Stata Software: You must have a copy of Stata software, at least Stata/IC. I encourage you to obtain a Stata/IC 12 grad plan perpetual license. Alternatively, you could purchase a 6-month or 12-month plan for less money, in which case you will have to re-purchase the program at a later date should you wish to use it after this course.

Required Readings and Supplementary Materials

REQUIRED

You are required to read and be prepared to discuss various journal articles and other selections as noted in the syllabus. Discussion will probe the nature of the question or issue, strength and weaknesses of the data and methods, alternative interpretations of the data and results. In the discussion we will question the assumptions being made and analyze the key concepts and ideas. Students will be charged each week with presentation of one or more of the readings. See Description and Assessment of Assignments (below) for more information.

The articles are available on the class blackboard site. Required and optional reading will be noted as such. There is one required textbook and one optional and they are listed below.

REQUIRED

Murnane, R. J., & Willett, J. B. (2011), Methods Matter, New York: Oxford Press. ISBN 978-0-199-75386-4 (referred to as MW in the course schedule)

OPTIONAL

Angrist, J. D., & Pischke, J.-S. (2009), Mostly Harmless Econometrics: An Empiricist's Companion, Princeton: Princeton University Press. ISBN 978-0-691-12035-5

Description and Assessment of Assignments

ASSIGNMENTS:

There are 5 assignments. All assignments will be available via the blackboard site of USC at Blackboard. Due dates are given in syllabus. These are generally worked on in groups and only one person from the group will turn in the assignment with all members of the group listed. Exceptions to the group work are Assignment 1 (OECD Data) and Assignment 4, the OpEd assignment – each student will work individually and turn in his/her own assignment. All assignments are turned in via Blackboard. See 'Weekly Lessons' on Blackboard for link to Turnitin Assignment. Note Turnitin allows only one file to be uploaded.

Grading of assignments: Each assignment (5) is worth 20 points for a total of 100 points.

STUDENT PRESENTATION OF READINGS:

Each week 2 to 3 students will be assigned to present a paper or papers the following week in class. Presentation should be done in Powerpoint and will be uploaded to Blackboard after the presentation is complete. Students should plan on a 20-minute presentation and expect to answer questions for another 10-15 minutes. Powerpoint presentations should be divided into sections that address the following: what is the research question(s); why is it important; what are the data sources; what methods are used; what are the key findings; what is the policy relevance; and what are the weaknesses or limitations of the paper. You are not formally graded on your in-class presentation of a required reading but participation in discussion of readings and presentation of assigned readings is 15% of your final grade.

FINAL PROJECT:

This is a data analysis project of an equity issue. You may analyze the effectiveness of a government policy that has been intended to reduce inequities. The policy may be federal, state or local. Examples that others have evaluated include a tutoring program, a full day kindergarten class, the community reinvestment act, and the Moving to Opportunity Voucher program. You may choose other types of analyses. For example, you may analyze factors driving inequality (causal analysis). Another type of analysis is comparing different measures of inequality (e.g. consumption, wealth) across time and/or countries, age groups etc. You need to select one of the techniques learned in the course.

Overview of final project assignments: A short description of your project (approximately 2 pages) is due Week 8. An update on the project is due Week 12. The final paper and evaluation of project is due Week 15 by 5 p.m. Details of this assignments are available on Blackboard.

Final project group formation: Due Week 3. The project will be done in self-selected groups of 3 or 4. I am willing to make an exception to this rule if you are a PhD student and have a project that is in line with your dissertation. The list of students in your group is due Week 3. The Group Formation form is available on Blackboard. If you are not part of group by end of class on Week 3, please let me know.

Final project proposal: Due Week 8. You will describe the project that you intend to investigate. The purpose of this assignment is for you to have the opportunity to receive feedback on your proposed project. Many of the techniques for establishing causal inference have not been covered, so you may not be able to fully describe the methodological approach. However, I will be able to help you determine feasibility. Details of the project proposal assignment is available on Blackboard.

Final project progress report: Due Week 12. You will provide a brief description of the progress since the proposal submission. Details of the project proposal assignment is available on Blackboard.

Final project evaluation: You are also required to submit an evaluation of your own performance and that of the other members of the group. Evaluation will be due Week 15 along with the final project paper. Evaluation form is available on Blackboard.

Final project presentation: Guidelines for the presentation are available on Blackboard.

Grading of final project: Your grade on the project will be based on the final project paper (70 out of 100 points), the presentation (20 out of 100 points), and the evaluation (10 out of 100 points).

Grading Breakdown

Category	% of Grade	Total Points	Example grades (points)	Weighted by %
Assignments (5)	25	100 (each 20 points)	95	23.75
Midterm Exam	30	100	90	27.0
Final Project	30	100	95	28.5
Class Participation	15	100	100	15.0
TOTAL	100%	400 points	380	95.25

Assignment Submission Policy

Students are expected to complete all assignments on time. They are due by 5:00 pm on the due date. Assignments will not be accepted late, and the score on assignments will fall 10% per day late. Assignments are uploaded onto Blackboard, so short of a doctor's excuse, there is no reason to be late with the assigned work. Assignments uploaded onto Blackboard should also be turned in with a hard copy in class the day they are due.

Additional Policies

Students are expected to adhere to the University Student Conduct Code. Please refer to *Statement on Academic Conduct and Support Systems* at the end of the syllabus.

Course Schedule: A Weekly Breakdown

The table below provides the weekly topic, assignments by date given and date due. The list of required and optional readings is listed by week below the table. Details on assignments are on Blackboard.

	Topics/Daily Activities	Readings and Homework	Deliverable/ Due Dates
Week 1 8/24/15	Introduction to Inequality	Assignment 1: Inequality Across Countries and Time Project Group Student List	Assignment 1 Due Week 2 Project Group Due Week 3
Week 2 8/31/15	Income Inequality		Assignment 1 Due TODAY
Week 3 9/14/15	Measurement of Income Distributions & Data Lab	Assignment 2: Use Data to Generate Measures of Wellbeing	Assignment 2 Due Week 5 Project Group Due TODAY
Week 4 9/21/15	Human Capital and Education	Assignment 3: Estimate Models of Returns to Education	Assignment 3 Due Week 6
Week 5 9/28/15	Returns to Education	Project Proposal Draft (not graded – you will receive comments from me)	Assignment 2 Due TODAY Project Proposal Due Week 8
Week 6 10/05/15	Mortality and Inequality		Assignment 3 Due TODAY
Week 7 10/12/15	Midterm Examination		
Week 8 10/19/15	Wage Inequality		Project Draft Due TODAY
Week 9 10/26/15	Impact of Policy	Assignment 4: Write a Policy Opinion Piece	Assignment 4 Due Week 11
Week 10 11/02/15	Intergenerational Mobility	Assignment 5: Diff-in-Diff and IV Estimation	Assignment 5 Due Week 14
Week 11 11/09/15	Causal Impact of Segregation	Update on Final Project (not graded)	Assignment 4 Due TODAY Update Due Week 12
Week 12 11/16/15	Optimal Tax Policy		Update Due TODAY Reminder Final Project & Evaluation Due Week 15
Week 13 11/23/15	Impact of Inequality & Review	Student Presentations in Class	Student Power Points for final project Due Week 14
Week 14 11/30/15	Student Presentations	Student Presentations in Class	Assignment 5 Due TODAY DUE Student Power Points Sent to Instructor
Week 15 12/07/15	Final Project & Project Evaluation Due by 5 p.m.		Reminder Final Project & Evaluation Due. Hard copy due by 5pm

PPDE 661 Methods for Equity Analysis

All readings and assignments are available on Blackboard

Any changes will be posted in Announcements on Blackboard and announced in class.

The calendar date corresponding to each week is shown in table: “Course Schedule: A Weekly Breakdown” in this syllabus

Week 1: Introduction to Inequality

Assignment 1 DUE Week 2: Inequality Across Countries and Time. Data found here:

<http://stats.oecd.org/Index.aspx?DataSetCode=IDD>

Required Reading

Congressional Budget Office (2011), “Trends in the Distribution of Household Income Between 1979 and 2007.”

Optional Reading

Bonica, Adam, N. McCarty, K. Poole, H. Rosenthal (2013), “Why Hasn’t Democracy Slowed Rising Inequality,” *Journal of Economic Perspectives*, 27(3), 103-124.

Stiglitz, Joseph (2014) “Inequality is Not Inevitable,” *New York Times Editorial*, the Opinion Pages.

Week 2: Income Inequality

Assignment 1 Due TODAY

Required Reading

MW chapters 1, 2, 3

Piketty, Thomas and E. Saez (2003), “Income Inequality in the United States, 1913-1998,” *Quarterly Journal of Economics*, 118(1), 1-39.

Burkhauser, Richard V. , J. Larrimore, K. I. Simon (2012), “A ‘Second Opinion’ on the Economic Health of the American Middle Class,” *National Tax Journal*, 65 (1), 7–32. [student led discussion]

Smeeding, Timothy and I. Garkinel, “A Response to Burkhauser, Larrimore, and Simon,” Blog Post <http://www.russellsage.org/blog/r-mascarenhas/response-to-burkhauser-larrimore-and-simon-0> [student led discussion]

Optional Reading

Kaplan, Steven and J. Rauh (2013), “It’s the Market: the Broad Based Rise in Return to Top Talent,” *Journal of Economic Perspectives*, 27(3), 35-56.

Piketty, Thomas and E. Saez (2014), *Science* 344, 838-843.

Labor Day - No Class (09/07/2015)

Week 3: Measurement of Income Distributions and STATA & Data Lab

Student Groups for Final Project DUE today

Required Reading

Burkhauser, R. V., Frick, J. R., & Schwarze, J. (1997), "A Comparison of Alternative Measures of Economic Well-being for Germany and The United States," *Review of Income and Wealth*, 153.

Optional Reading

Sen, A. (1973), "Poverty, Inequality and Unemployment: Some Conceptual Issues in Measurement," *Economic and Political Weekly*, 1957-1964.

Conceicao, Pedro and P. Ferreira (2000), "A Young Person's Guide to the Theil Index: Suggesting Intuitive Interpretations and Exploring Analytical Applications," UTIP Working Paper 14.

Week 4: Human Capital and Education

Required Reading

Goldin, Claudia and L.F. Katz (2007), "The Race Between Education and Technology: The Evolution of U.S. Educational Wage Differentials, 1890 to 2005," NBER Working Paper 12984.

Hanushek, Eric (2010), "How Well Do We Understand Achievement Gaps," *Focus* 27(2), 5-12. [student led discussion]

Optional Reading:

C.D. Goldin and L.F. Katz. *The Race Between Education and Technology*, Belknap Press, 2008.

Week 5: Returns to Education

Assignment 2 DUE TODAY: Use Data to Generate Measures of Well-Being.

Required Reading

MW Chapter 8, 10, 11

Angrist, Joshua D. and A. B. Krueger (1991), "Does Compulsory School Attendance Affect Schooling and Earnings?" *The Quarterly Journal of Economics*, 106 (1), 979-1014. [student led discussion]

Bound, J. and D.A. Jaeger (1996), "On the Validity of Season of Birth as an Instrument in Wage Equations: A Comment on Angrist & Krueger's 'Does Compulsory School Attendance Affect School Attendance Affect Schooling and Earnings?'" NBER Working Paper No. 5835. [student led discussion]

Optional Reading

Angrist, J. and A. Krueger (2001), "Instrumental Variables and the Search for Identification: From Supply and Demand to Natural Experiments," *Journal of Economic Perspectives*, 15(4), 69-85.

Week 6: Mortality and Inequality

Assignment 3 Due TODAY: Estimate Models of Returns to Education

Required Reading

Daly, Mary and D. Wilson (2013), "Inequality and Mortality: New Evidence from U.S. County Panel Data," Federal Reserve Bank of San Francisco Working Paper 2013-13. [student led discussion]

Kawachi, Ichiro, B. Kennedy (1997), "The Relationship of Income Inequality to Mortality: Does the Choice of Indicator Matter?" *Social Science and Medicine* 45(7), 1121-1127.

Mellor, Jennifer and J. Milyo (2002), "Income Inequality and Health Status in the United States: Evidence from the Current Population Survey," *Journal of Human Resources* 37(3), 510-539.

Week 7: Midterm Examination

Week 8: Wage Inequality

Project Proposal Draft DUE TODAY

Required Reading

Autor, D. H., L.F. Katz, and M.S. Kearney (2008), "Trends in U.S. Wage Inequality: Revising the Revisionists. *The Review of Economics and Statistics*, 90(2), 300-323.

Autor, David, D. Dorn and G. Hanson (2013), "Untangling Trade and Technology: Evidence From Local Labor Markets," NBER Working Paper 18938. [student led discussion]

Optional Reading

Western, Bruce and J. Rosenfeld (2011), "Unions, Norms, and the Rise in US Wage Inequality," *American Sociological Review*, 76(4): 513-537, 2011.

Week 9: Impact of Policy

Required Reading

Card, David and A. B. Krueger (1994), "Minimum Wages and Employment: a Case Study of the Fast-Food Industry in New Jersey and Pennsylvania," *American Economic Review*, 84(4), 772-793.

Check out an [interactive map](#) of variation in minimum wages across states:

<http://money.cnn.com/interactive/pf/state-minimum-wage/?iid=EL>

Moffitt, Robert (2015), "The Deserving Poor, the Family, and the U.S. Welfare System," *Demography*, 52, 729-749. [student led discussion]

Ben-Shalom, Yonatan, R. Moffitt, and J.K. Scholz (2011), "An Assessment of the Effectiveness of Anti-Poverty Programmes in the United States." NBER Working Paper 17042.

Optional Reading

Kuziemko, Ilyana, M. Norton, E. Saez, and S. Stantcheva (2013), "How Elastic Are Preferences for Redistribution? Evidence from Randomized Survey Experiments," NBER Working Paper 18865.

Zissimopoulos, Julie, Geoffrey Joyce, Lauren Scarpati, Dana Goldman (2014), "Did Medicare Part D Reduce Racial and Ethnic Disparities?" *American Journal of Managed Care*, 21(2): 119-128.

Week 10: Intergenerational Mobility

Required Reading

MW Chapter 12

Bjorklund, A., M. Lindahl, E. Plue (2006), "The Origins of Intergenerational Associations: Lessons from Swedish Adoption Data," *Quarterly Journal of Economics* 121(3), 999-1028. [student led discussion]

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

Optional Reading

Solon, Gary (1992), "Intergenerational Income Mobility in the United States." *American Economic Review*, 82(3), 393 – 408.

Zissimopoulos, Julie and James P. Smith (2011), "Unequal Giving: Monetary Gifts to Children Across Countries and Over Time" in *Persistence, Privilege, and Parenting: The Comparative Study of Intergenerational Mobility*, Russell Sage Foundation, 289-328.

Week 11: Causal Impact of Segregation - Dr. Gary Painter will guest lecture

Assignment 4 DUE TODAY: OpED

Required Readings

Kain, J. F. (1992), "The Spatial Mismatch Hypothesis: Three Decades Later," *Housing Policy Debate*, 371-392.

Liu, Cathy and G, Painter (2011), "Immigrant Settlement and Employment Suburbanization: Is There a Spatial Mismatch?" *Urban Studies*, 49(5), 979–1002.

Gabriel, S. A., & S. S. Rosenthal (1996), "Commutes, Neighborhood Effects, and Earnings: An Analysis of Racial Discrimination and Compensating Differentials," *Journal of Urban Economics*, 40(1), 61-83. [student led discussion]

Zhu, Pengyu, C.Y. Liu, and G. Painter (2013), "Does Residence in an Ethnic Community Help Immigrants in a Recession?" *Regional Science and Urban Economics*, forthcoming.

Jargowsky, P. A. (1997), "Poverty and Place: Ghettos, Barrios, and the American City, Russell Sage Foundation Publications, Chapter 6&7.

Optional Readings

Gabriel, S., & G. Painter (2003), "Pathways to Homeownership: An Analysis of the Residential Location and Homeownership Choices of Black Households in Los Angeles, *Journal of Real Estate Finance and Economics* 27(1), 87-109

Dougherty, C., & M. Jordan (2012), Stirring Up the Melting Pot. *The Wall Street Journal*.

Gould Ellen, Ingrid K. M. O'Regan (2011), "How Low Income Neighborhoods Change: Entry, Exit, and Enhancement," *Regional Science and Urban Economics*, 41(2), 89-97.

Week 12: Optimal Tax Policy and Analysis of Tax System Changes – Dr. Mark Phillips will guest lecture

Project Update Due TODAY

Required Readings

Diamond, P.A., & Saez, E. (2011), "The Case for a Progressive Tax: From Basic Research to Policy Recommendations, *Journal of Economic Perspectives*, 25(4), 165-90.

Mankiw, N. (2013), "Defending the One Percent," *Journal of Economic Perspectives*, 27(3), 21-34. [student led discussion]

Gruber, Jonathan (2004), Public Finance and Public Policy, Macmillan, Chapter 20.

Optional Readings

Saez, Emmanuel. (2001), "Using Elasticities to Derive Optimal Income Tax Rates," *The Review of Economic Studies*, 205-229.

Piketty, T., and E. Saez,(2007), "How Progressive is the U.S. Federal Tax System? A Historical and International Perspective," *Journal of Economic Perspectives*, 21(1), 3-24.

Piketty, T., & Saez, E. (2012), *A Theory of Optimal Capital Taxation*. Cambridge: National Bureau of Economic Research.

Week 13: Impact of Inequality

Required Reading

Cohn, Alain, E. Fehr, B. Herrmann, Frederic Schneider (2014), "Social Comparison and Effort Provision: Evidence From a Field Experiment," *Journal of the European Economic Association*. [student led discussion]

Optional Reading

Fajnzylber, Pablo, D. Lederman, and N. Loayza (2002), "Inequality and Violent Crime," *Journal of Law & Economics*, 45(1), 2002.

Dahlin, M.B., A. Kapteyn, C. Tassot (2014), Who Are The Joneses? CESR-Schaeffer Working Paper 2014-004.

Ross, Nancy, G. A. Kaplan, and M. Wolfson, (2004) Is Income Inequality A Determinant of Population Health? Part 1 A Systematic Review. *Milbank Quarterly*, 82(1), 5–99.

Week 14: Student Presentations of Final Projects

Assignment 5 Due TODAY

Student Power Point of Presentations Due TODAY

Week 15: Student Presentations of Final Projects

Statement on Academic Conduct and Support Systems

Academic Records and Registrar website

http://www.usc.edu/dept/ARR/curriculum/curriculum_handbook/index.html

Academic Conduct

Plagiarism – presenting someone else’s ideas as your own, either verbatim or recast in your own words – is a serious academic offense with serious consequences. Please familiarize yourself with the discussion of plagiarism in *SCampus* in Section 11, *Behavior Violating University Standards* <https://scampus.usc.edu/1100-behavior-violating-university-standards-and-appropriate-sanctions/>. Other forms of academic dishonesty are equally unacceptable. See additional information in *SCampus* and university policies on scientific misconduct, <http://policy.usc.edu/scientific-misconduct/>.

Discrimination, sexual assault, and harassment are not tolerated by the university. You are encouraged to report any incidents to the *Office of Equity and Diversity* <http://equity.usc.edu/> or to the *Department of Public Safety* <http://capsnet.usc.edu/department/department-public-safety/online-forms/contact-us>. This is important for the safety whole USC community. Another member of the university community – such as a friend, classmate, advisor, or faculty member – can help initiate the report, or can initiate the report on behalf of another person. *The Center for Women and Men* <http://www.usc.edu/student-affairs/cwm/> provides 24/7 confidential support, and the sexual assault resource center webpage sarc@usc.edu describes reporting options and other resources.

Support Systems

A number of USC’s schools provide support for students who need help with scholarly writing. Check with your advisor or program staff to find out more. Students whose primary language is not English should check with the *American Language Institute* <http://dornsife.usc.edu/ali>, which sponsors courses and workshops specifically for international graduate students. *The Office of Disability Services and Programs* http://sait.usc.edu/academicsupport/centerprograms/dsp/home_index.html provides certification for students with disabilities and helps arrange the relevant accommodations. If an officially declared emergency makes travel to campus infeasible, *USC Emergency Information* <http://emergency.usc.edu/> will provide safety and other updates, including ways in which instruction will be continued by means of blackboard, teleconferencing, and other technology.