



**Simulating the Poverty and Distributional Impact of Economic Shocks and Policies within the PAMS Framework**

**May 15, 16, 17, 18, 19, 2006**

**Time: 9:00am -5:30pm**

**Location: U3-555(Old Room N) Bldg, 3rd Floor, 1800 G St NW**

**Room: MC5-W150 (Wednesday, 17<sup>th</sup>)**

**AGENDA**

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**Monday, May 15, 2006**

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**Introduction**

**Session 1**

**9:00 – 9:30**

**Welcoming Remarks**

*Speaker: Louise Cord, Sector Manager, PRMPR*

**9:30-10:30**

**The Shape of Things to Come**

- Context
  1. Effective Development Policy Making and Impact Analysis
  2. Poverty and Equity as Basic Objectives of Socio-Economic Development
- The Nature of PAMS
  1. Classification
  2. Specification
  3. Policy Domain
- Course Content
  1. The Universe of EViews
  2. Building an Applied General Equilibrium Model
  3. Poverty and Distributional Outcomes of Shocks and Policies

**Readings:**

- Sen Amartya (1989). *Chapter 1: The Concept of Development*. In Hollis Chenery and T.N. Srinivasan (eds.) Handbook of Development Economics. Volume 1. Amsterdam: Elsevier.
- Essama-Nssah, B. (August 2005). The Poverty and Distributional Impact of Macroeconomic Shocks and Policies: A Review of Modeling Approaches, *World Bank Policy Research Working Paper, No. 3682*.

**10:30-11:00**

**Break**

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**Module 1: The Universe of EViews****Session 2**

11:00-12:30

**Basic Syntax:****Objects and their Containers**

- Object Containers
  - Workfile
  - Database
  
- Objects, Views, and Procedures
  - Concept of Object
  - Object Declaration and Assignment
  - Working with Objects

**Elements of Programming**

- Basics
- Program Variables and Arguments
- Control of Execution
- Subroutines

**Reading:**

- Chapter 6. EViews Programming. EViews 5.1 Command and Programming Reference.

12:30-2:00

**Session 3**

2:00-3:30

**Lunch Break****A Brief Demonstration of EViews 5.1**

- Importing data into EViews from an Excel spreadsheet, Stata or other formats.
- Examining the data and performing simple statistical analysis
- Using regression analysis to model and forecast a statistical relationship, and plotting results
- Local Regression
- Performing Match-Merge
  - One-to-many match merge
  - Many-to-one match merge

**Readings:**

- Chapter 2: Demonstration EViews 5.1 User's Guide.
- Chapter 2: Command Basics EViews 5.1 Command and Programming Reference.
- Chapter 7: Working with Data EViews 5.1 User's Guide.
- Chapter 8: Series Links EViews 5.1 User's Guide.

3:30-4:00

**Break****Session 4**

4:00-5:30

**Hands-on: Using a Probability Model to Assess the Effectiveness of a New Teaching Method**

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**Tuesday, May 16, 2006**

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**Session 5**  
**9:00-10:30**

**Propensity Score Matching and Policy Impact Analysis**

- Policy Effectiveness and the Fundamental Problem of Causal Inference
- The Principle of Matching
- Algorithms
- Empirical Comparison with other Impact Estimators

**Readings:**

- Essama-Nssah, B.(April 2006). Propensity Score Matching and Policy Impact Analysis: A Demonstration in EViews, *World Bank Policy Research Working Paper*, No. 3877.
- Smith Jeffrey A. and Todd Petra E. (2005). Does Matching Overcome LaLonde's Critique of Non-Experimental Estimators? *Journal of Econometrics*, 125:305-353.

**10:30-11:00**

**Break**

**Session 6**  
**11:00 – 12:30**

**Early Childhood Development and Integrated Programs: Evidence from the Philippines**

*Guest Speaker: Elizabeth M. King, Research Manager, DECRG*

**12:30-2:00**

**Lunch Break**

**Session 7**  
**2:00-3:30**

**Hands-On: Propensity Score Matching Estimation of the Effectiveness of a New Teaching Method**

**3:30-4:00**

**Break**

**Session 8**  
**4:00-5:30**

**Hands-On: Assessing the Impact of a Labor Market Intervention within a Switching Regression Framework**

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Wednesday, May 17, 2006

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**Module 2: Building an Applied General Equilibrium Model**

**Session 9**

**The Logic of General Equilibrium Modeling**

9:00 – 10:30

- What is a General Equilibrium Model?
- The Basic Walrasian Framework
- The Circular Flow of Economic Activity
- The Social Accounting Matrix (SAM)

**Readings:**

- Varian Hal R.(1984). *Chapter 0: Introduction*. In Microeconomic Analysis. Second ed. New York: W.W Norton Company.
- King, Benjamin B. (1985). *Chapter 1: What is SAM?* In Graham Pyatt and Jeffery I. Round (eds.) Social Accounting Matrices: A Basis for Planning. A World Bank Symposium. Washington D.C.: World Bank.
- Robinson Sherman (1989). *Chapter 18: Multisectoral Models*. In Hollis Chenery and T.N. Srinivasan (eds.) Handbook of Development Economics. Volume II. Amsterdam: Elsevier.
- Dinwiddy, C.L. and F. J. Teal (1988). *Chapters 1 and 3*. In The Two-Sector General Equilibrium Model. A New Approach. Oxford: Phillip Allan/St. Martin's Press.
- Devarajan Shantayanan, Jeffrey D. Lewis, and Robinson Sherman (1990). Policy Lessons from Trade-Focused, Two-Sector Models. *Journal of Policy Modeling*, 12(4):635-657.

10:30 –11:00

**Break**

**Session 10**

**Numerical Implementation in EViews**

11:00-12:30

- Model Set-Up
- Calibration
- Validation
- Simulations

**Readings:**

- Essama-Nssah, B.(January 2004). Building and Running General Equilibrium Models in EViews. *World Bank Policy Research Working Paper*, No. 3197.
- De Melo Jaime and Robinson Sherman (1989). Product Differentiation and the Treatment of Foreign Trade in Computable General Equilibrium Models of Small Economies. *Journal of International Economics*, 27:47-67.

- Chapter 26. Models.

**12:30-2:30**

**Lunch Break**

**Session 11**  
**2:30 - 4:00**

**Winners and Losers from Trade Reform: Case Studies for China and Morocco**

*Guest Speaker: Martin Ravallion, Senior Research Manager, DECRG*

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Thursday, May 18, 2006

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### Module 3: Poverty and Distributional Outcomes of Shocks and Policies

#### Session 12

9:00 - 10:30

#### A Stylized Framework

- A Two-Sector Model of an Open Economy
- The Lorenz Model of the Size Distribution of Income
  - The Lorenz Curve
    - Structure
    - Parameterization
  - Recovering the Size Distribution and Associated Measures of Inequality and Poverty

#### Readings:

- Datt Gaurav (October 1998). Computational Tools for Poverty Measurement and Analysis. *FCND Discussion Paper*, No. 50.
- Essama-Nssah, B. (February 2005). Inequality and Poverty Simulations within the Lorenz Framework. *Mimeo*.
- Decaluwe, B., A. Partry, L. Savard And E. Thorbecke, (June 1999). Poverty Analysis within a General Equilibrium Framework. *Working Paper 9909*, CREFA99-06.

10:30-11:00

Break

#### Session 13

11:00 – 12:30

#### Macro-Micro Modeling for South Africa

Guest Speaker: Delfin S. Go, Lead Economist, AFRCE

12:30-2:00

Lunch Break

#### Session 14

2:00 – 3:30

#### Poverty and Distributional Outcomes of the Dutch Disease

- Structural Changes
- Distributional Outcomes
- Poverty Implications
- Policy Lessons

#### Readings:

- Essama-Nssah, B. (December 2005). Simulating the Poverty Impact of Macroeconomic Shocks and Policies, World Bank Policy Research Working Paper. No. 3788.
- Benjamin Nancy C., Devarajan Shantayanan, and Weiner Robert J. (1989). The Dutch Disease in a Developing Country: Oil Reserves in Cameroon. *Journal of Development Economics*, 30: 71-92.

**3:30-4:00**

**Break**

**Session 15**  
**4:00-5:30**

**Hands-On: Simulate the Structural, Distributional, and Poverty Impacts of:**

- A deterioration of the Terms of Trade
  - Two different configurations of sales taxes and tariffs
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**Friday, May 19, 2006**

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**Module 3: The Poverty Impact of Macroeconomic Shocks and Policies**

**Session 16**  
**9:00 - 10:30**

**Hands-On: Simulate the Structural, Distributional, and Poverty Impacts of:**

- A deterioration of the Terms of Trade
- Two different configurations of sales taxes and tariffs

**10:030-11:00**

**Break**

**Session 17**  
**11:00 – 12:30**

**Conclusion and Course Evaluation**

**Reading:**

Varian Hal R. (1994). How to Build an Economic Model in Your Spare Time. *Mimeo*.

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