The ECON213 Econometrics II Coursework Project

Deadline

The deadline for the group coursework is **9am on 16th April**. The work must be submitted by one member of each group through Assessment on Canvas.

Report

The coursework will be an independent project for each group, which you must carry out and write up as a report coming to **no more than 2500 words**, excluding contents page, footnotes, bibliography and appendices. The **Appendix is to be no more than 10 pages** in length. The coursework accounts for **50%** of the module mark. **Your reports will be graded and returned within four weeks.** Please appreciate that it takes time to read, understand, and provide feedback, and the grades will also be moderated.

The proposed area for projects: explaining what affects income distribution.

Countries vary considerably in their income distribution. Measures of inequality such as the Gini coefficient can also vary over time for a particular country. There have been a number of empirical papers that attempt to find the factors affecting income distribution or income inequality; that is to say, the variables that do well in explaining how measures such as the Gini coefficient vary across countries or across time (or both).

Previous literature has offered a number of explanations that stress the differences between high-inequality and low-inequality countries in cultural heritage (Alesina and Fuchs-Sch¨undeln, 2005), in the perceptions of a social mobility (Piketty, 1995, Alesina and Glaeser, 2003), in the preferences for fairness (Alesina and Angeletos, 2005a, 2005b, Benabou and Tirole, 2005), in the political power of the rich as a result of unequal campaign contributions (Campante, 2006), in the coercive power of the state (discussed in Boadway and Keen,2000).

For more reference, see the list of papers available on Canvas.

Key requirements

You should use one or more Equality-related variables as your dependent variable in your analysis. The analysis can be cross sectional, where, for example, you could consider the factors that help to explain variations in countries' Gini coefficients (an inequality measure). Alternatively, you can investigate the factors effecting inequality or other aspects of the income distribution across regions (or smaller geographical units) within an individual country.

- You will need to do a literature review and obtain data for possible explanatory variables. It is recommended that you start by looking at **the reference on Canvas**, which discusses some of the literature and potentially important variables. You may want to identify additional factors that may explain differences or changes in inequality, or which address other questions relating to income distribution, via a wider search of the empirical literature on inequality.
- Moreover, you will need to search the more recent literature, for example using http://scholar.google.com or the search facility at http://libguides.liverpool.ac.uk/onlineprogrammes/ejournals.
- You should comment in more depth on two or more articles and how they relate to the analysis in your project.
- Your report should go beyond the readings that are provided to you on Canvas.
- In addition to the two articles that you discuss in some detail (a paragraph or two about each), you should mention other related articles as well. **Explanatory variables should all be motivated by relevant literature.**
- You will need to choose appropriate tools, including diagnostic tests. For example, Is the function form in your model misspecified? Is there evidence for heteroskedasticity? Are any of your explanatory variables "endogenous"? If so, what should you do?
- Diagnostic tests must be carried out **before** looking at the significance of individual coefficients.
- **STATA outputs should only appear in the Appendix.** It is likely that there will not be space in the 10-side Appendix for you to list every STATA output. Instead, you should aim to include outputs for your more important results, or where you have implemented different methodology. The main body of the report should contain summary tables. As an example of a summary table, see Table A2 of *"Inequality and Media Capture"* (Petrova, 2008)
- Equations should be typeset using Equation Editor (in Word) or similar, and not included as picture files.

Report Format

- In English
- Use font Arial
- Use font size 12
- Use double line space
- The pages should be numbered
- Footnotes should appear at the bottom of the page
- Not less than 2,000 words in length and shall not exceed 2,500 words
- Give full reference to the sources used
- In Microsoft Word (.docx)
- Citations and references should be in Harvard Format.

Please ensure that you have followed the above instructions, as you are not permitted to make further changes once you have handed in your report.

Data Resources

- World Bank data - http://databank.worldbank.org/data/home.aspx.
- A list of data bases is here - http://databank.worldbank.org/data/databases.aspx.
- Here are three that may be useful:
  - **Poverty and Equity Database** - https://databank.worldbank.org/source/poverty-and-equity
    In particular, the **Gini index series** in the **Poverty and Equity database** has data for the **Gini coefficient**.
  - **World Development Indicators (WDI)** - http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators
  - **Indicators of governance quality** - http://info.worldbank.org/governance/wgi/index.aspx#home
- Many other sources of data are available online. See Week 5 Lecture about How to carry out an empirical project.

Academic integrity

You are reminded that the group report should be your own group unaided work. You should not work in cooperation with any other groups, and you should not show your completed report to others.

You should acknowledge fully in your references any published work which you have used, and indicate clearly the source of any direct quotations. Instructions and examples on how to write references and avoid plagiarism can be found on pages 14-23 of your UG Study Skill Handbook.