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Midterm Project

1. I intend to replicate a study that was previously conducted by Yannick and Ekobena. In their study, Yannick and Ekobena, examined the impact of monetary policy on the distribution of income and poverty on the United States and Central African Countries.

I intend to examine the impact of monetary policy on income distribution and poverty on The United States and Nigeria. Further I will examine the main channels for which monetary policy affect the distribution of income and wealth in Nigeria.

1. This study is important because inequality and poverty are growing concern to policy makers. Stakeholders are curious about the distributive impacts of monetary policy on poverty and inequality. This paper will aim to explain the distributive impact of monetary policy on both the US and Nigerian economy.
2. Hypothesis: Inflation reducing monetary policy will have a positive impact on both the US and Nigeria, although the design plan for these two economies are different and the issues that are facing African Countries are different from those facing the rest of the world. From previous studies, I expect that monetary policy can influence poverty and inequality through income distribution, interest rates, inflation and quantitative easing.
3. US Data Sources:

The Consumer Price Index data measures the average change overtime in the prices paid by urban consumers for market basket of consumer goods and services. The CPI is the most widely used measure for inflation. CPI data provides information about price changes in the Nation’s economy and is used in decision making. I collected CPI data from 1959 to 2015 form the Bureau of Labor Statistics and then I calculated the inflation rate by calculating the percent change in CPI.

The unemployment statistics program collects statistics form 146,000 a Bureau of Labor Statistics from business, government agencies, which represents approximately 623,000 individuals, in an effort to provide detailed industry data on employment statistics of workers.

Due to inconsistencies in the World Banks Gini index data set, I used data from the US Census to measure poverty. I used historical poverty data on the number of families below the poverty level and poverty rate.

I also collected annual Gross Domestic Product data from the World Bank and OECD National Accounts data files.

1. My data has a time series structure with an annual unit of measurement from 1960 to 2015. Years is the comparative unit of measurement in each data set.
2. The variables that identify an observation in my data set are Year,Poverty rate, GDP, CPI/Inflation rate and unemployment. The variable year can be used as a basis of merging the different data sets I extracted.
3. The dependent variable is my Inflation rate. The independent variable is poverty. Independent “control” variables are GDP and unemployment. Control variables are needed to better understand the relationship between the two variables being assessed, the inflation and poverty. We are not necessarily interested in the effects of the controlled variables, they serve as constants throughout the observation and they help in observing their effects on the equation/ model being assessed.
4. There were minor data cleaning issues I encountered while collecting data. As stated earlier, this paper is replicating the paper by Yonnick and Ekobenna. I encountered issues exacting data from some of the sources they used. There I used similar measurements for my analysis. For instance, The World Bank’s Gini coefficient data was collected once every four years, which would have reduced my already small data sample, to make it even smaller. Instead of losing data I found another measurement of poverty from the US census. I used the population data for the historical poverty tables, this data provides information on the number of families that live below the poverty level. Also, the row column format for some of my data sets did not match, I transposed the data sets in order to match them across time.
   1. Nigeria data sourceI am still looking to collect similar variables for Nigeria.