# Data Bootcamp Final Project: Rural-Urban Inequality in Tanzania



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Poor countries have large masses of their population in rural, agriculture areas. Within these areas, they earn and produce less relative to urban, non-agriculture areas (http://www.waugheconomics.com/uploads/2/2/5/6/22563786/apg.pdf). This observation begs the question: if people moved from rural to urban areas, would they reap gains in living standards. Or are the observed differences in livings standars simply and artifact of, say, differences in education or (unobserved) ability. This project uses the Tanzania LSMS dataset to document and understand rural-urban inequality.

This project will explore these issues in several steps:

- 1. I'll describe the data and its source
- 2. Discuss the tools and packages that I will used to analyze the data.
- 3. Primary Analysis
- 4. Extension to studying those that move.

## **Data Report**

The key elements of the data are from the LSMS surveys (http://go.worldbank.org/IPLXWMCNJ0) from the World Bank (http://www.worldbank.org/). The LSMS datasets are designed to measure living standards in countries where standard measurement apaparatuses (e.g. like the Census in the US) are not present. Access to the Tanzania dataset is free, but you must apply for access. The World Bank's website for the Tanzania LSMS dataset is here:

http://go.worldbank.org/EJMAC1YDY0 (http://go.worldbank.org/EJMAC1YDY0)

All data is stored in the .dta stata format. This is not a problem since we can use pd.read\_stata command. There are many modules (sheets of data with different subject areas). Within each module there are the household responses and then a houshold id that can be used to link the responses across datasheets. I'm going to focus on only a couple of the datasets. The are discussed below:

- TZY1.HH.Consumption.dta and TZY2.HH.Consumption.dta is the consumption module in year one in 2008-2009 and the year two in 2011-2012 (?). The key element is that there is a "consumption aggregate" that reports aggregate expenditures by households. It also reports addut equivalents (https://en.wikipedia.org/wiki/Equivalisation), then per capita consumption within the houshold can be computed as the ratio of expenditures relative to adult equivalents. This is the main variable of interest.
- Also within these data is the classification of households by if they live in a rural or urban area. This classification will be of interst as well as we
  examive differences in consumption by classification.
- HH.Geovariables\_Y2.dta is the geographic module that contains the coordinates of the household within year two. This will be used to map households locations and outcomes associated with those households.
- There is also an education module. This will be used to explore the role of differences in education or "human capital" in explaining rural-urban gaps in earnings.

Data Disclaimer: Because this data is restricted access, I will pull the data directly from that saved on my local computer.

## My Packages

In the analysis below, I'm goint to use the following packages:

- display package which will display certain output in a nice way
- · Pandas package which will be my core tool to import, manipulate, merge, and analyze the data
- · Matplotlib package which will assiste me in ploting my results
- · numpy which will allow me to perform certain mathimatical operations and transformations of the data (e.g. log of stuff).
- Basemap which will allow me to map certain featurs of the data.
- statsmodels will allow me to perform regresion analysis on my data.

```
In [110]: from IPython.display import display, Image # Displays things nicely import pandas as pd # Key tool import matplotlib.pyplot as plt # Helps plot import numpy as np # Numerical operations from mpl_toolkits.basemap import Basemap # Basemap import statsmodels.api as sm import statsmodels.formula.api as smf
```

C:\Program Files\Anaconda3\lib\site-packages\statsmodels\compat\pandas.py:56: FutureWarning: The pandas.core. datetools module is deprecated and will be removed in a future version. Please use the pandas.tseries module instead.

from pandas.core import datetools

## **Organize the Data**

Below I walk through the steps to organize the data. I proceed by reading in the datasets, but only pull in the columns that I care about. I do this for the two years of consumption data, the geographic variables, and then the education data. I then merge the datasets together.

Below are the paths to the files on my local computers:

```
In [11]: path_laptop = "C://Users//mwaugh//Dropbox//Panel Tracking Surveys//Tanzania//Raw Data (2008-2009 and 2010-201
1)"
   path_desktop = "C://Users//mwaugh.NYC-STERN//Dropbox//Panel Tracking Surveys//Tanzania\Raw Data (2008-2009 and 2010-2011)"
```

### **Bring in Year 1 Consumpiton Data**

```
In [12]: file = path_desktop + "//TZY1.HH.Consumption.dta"

myvars = ["hhid", "urban", "expmR", "adulteq", "hhsize", "hhweight", "region"]

tanz_y1 = pd.read_stata(file, columns = myvars)

tanz_y1.columns

new_name = []

for name in myvars:
    new_name.append(name + "_y1")

tanz_y1.columns = new_name
```

Then I want to create the consumption per adult equivalent measure and then lets look at the data.

	hhid_y1	urban_y1	expmR_y1	adulteq_y1	hhsize_y1	hhweight_y1	region_y1	cons_y1
0	01010140020171	Rural	1.730037e+06	4.52	5	5048.136719	Dodoma	382751.572895
1	01010140020284	Rural	4.539407e+05	2.28	3	5048.136719	Dodoma	199096.806365
2	01010140020297	Rural	7.136122e+06	7.96	10	5048.136719	Dodoma	896497.671583
3	01010140020409	Rural	1.523027e+06	2.84	4	5048.136719	Dodoma	536277.156015
4	01010140020471	Rural	1.416735e+06	3.52	5	5048.136719	Dodoma	402481.539679

#### **Bring in Year 2 Consumption Data**

```
In [14]: file = path_desktop + "//TZY2.HH.Consumption.dta"

myvars = ["y2_hhid", "hhid_2008", "urban", "expmR", "adulteq", "hhsize", "hhweight", "region"]

tanz_y2 = pd.read_stata(file, columns = myvars)

new_name = []

for name in myvars:
    new_name.append(name + "_y2")

tanz_y2.columns = new_name
```

Then compute consumption per adult equivalent as well for year 2.

	y2_hhid_y2	hhid_2008_y2	urban_y2	expmR_y2	adulteq_y2	hhsize_y2	hhweight_y2	region_y2	cons_
0	0101014002017101	01010140020171	Rural	2453002.750	4.24	5	5152.955078	Dodoma	578538.3831
1	0101014002028401	01010140020284	Rural	1364008.375	2.76	4	5212.386719	Dodoma	494205.9346
2	0101014002029701	01010140020297	Rural	6136596.000	8.12	10	2564.016113	Dodoma	755738.4204
3	0101014002029704	01010140020297	Urban	3419913.000	6.36	8	3052.347412	Dar es Salaam	537722.17112
4	0101014002040901	01010140020409	Rural	1228936.250	4.16	6	5152.955078	Dodoma	295417.3701

Before we merge, lets look at the shape of each file so we completely understand what is going on.

### Two observations:

- So the number of columns is different, this is because year two a 2008 household id and then a new id for 2012; hence the additional column.
- The number of rows is different. I suspect that the reason is that some housholds "broke up" in between the time periods. So in 2012, they are represented as a new additional houshold.

One way to get a better understanding of this point is to look at how many unique 2008 household id's there are in the year two data set:

This is a bit surprising. What it looks like is two things going on. Some households are not connected across the sample; this may because they are unable to be found when conducting the year two data set, refused to participate, etc. Then there is the fact that year two has about 400 extra housholds why? This is an open quesiton.

#### Merge Year 1 and Year 2

Now lets merge the datasets together on the 2008 hosehold id.

	hhid_y1	urban_y1	expmR_y1	adulteq_y1	hhsize_y1	hhweight_y1	region_y1	cons_y1	y2_hhid
0	01010140020171	Rural	1.730037e+06	4.52	5	5048.136719	Dodoma	382751.572895	0101014002017
1	01010140020284	Rural	4.539407e+05	2.28	3	5048.136719	Dodoma	199096.806365	0101014002028
2	01010140020297	Rural	7.136122e+06	7.96	10	5048.136719	Dodoma	896497.671583	0101014002029
3	01010140020297	Rural	7.136122e+06	7.96	10	5048.136719	Dodoma	896497.671583	0101014002029
4	01010140020409	Rural	1.523027e+06	2.84	4	5048.136719	Dodoma	536277.156015	0101014002040
4									<b>+</b>

(3846, 18)

Then I'm going to drop values if the merge did not work on both sides. I can check if this matters or not later.

Looks like nothing was dropped. Future investigations should look at how the sample size is changing across years and understand exactly what is going on.

#### Merge with Year 2 Geography Variables

	y2_hhid	lat_modified	Ion_modified	hhid_y1	urban_y1	expmR_y1	adulteq_y1	hhsize_y1	hhweigh
0	0101014002017101	-5.08575	35.854389	01010140020171	Rural	1.730037e+06	4.52	5	5048.136
1	0101014002028401	-5.08575	35.854389	01010140020284	Rural	4.539407e+05	2.28	3	5048.136
2	0101014002029701	-5.08575	35.854389	01010140020297	Rural	7.136122e+06	7.96	10	5048.136
3	0101014002029704	-5.08575	35.854389	01010140020297	Rural	7.136122e+06	7.96	10	5048.136
4	0101014002040901	-5.08575	35.854389	01010140020409	Rural	1.523027e+06	2.84	4	5048.136

```
5 rows × 21 columns
```

## **Aggregate, Cross-Sectional Analysis**

Below, I first describe some summary statistics of the data focusing on the cross-sectional dimension. That is only within one year.

### **Consumption Data**

I'm going to first look at the level of consumption in each year and then look at consumption growth across the years. So first, the level of consumption.

	cons_y1	cons_y2
count	3839.000000	3838.000000
mean	331.580256	390.151393
std	322.710943	354.803545
min	20.761887	32.411519
25%	151.305534	181.533352
50%	231.436136	280.455998
75%	385.517895	465.369968
max	6772.997294	3631.400641

A couple of things to note:

- So about 4000 households. Note how it looks like there are two less in year 2. Might want to investigate this at some point.
- On average, mean consumption increased. We will discuss this below.
- Very poor. Average level of consumption is between 300 and 400 USD. Need to verify the time frame it covers, but no matter what this is poor, e.g. I spend that much on coffee and beer in a month probably.
- · Also, it looks like the dispersion is similar across the two years. Might want to do this is logs to verify. Latter we will visually inspect this.

Following up on a point made above: How much consumption growth was there? There are several different ways to get at this. What I will do is compute consumption growth at the household level, then report summary statistics for them.

cons_growth
3838.000000
17.142055
61.781567
-256.092485
-21.449128
16.335116
54.500076
281.055002

Key observation: **Average consumption growth was 17 percent over four years**. A quick google search suggests this is not inconsistent with national growth rates of GDP. Also note the dispersion: Some households experienced large disasters. For example, a household in the 25th percentile experienced a **-21** percent drop in consumption.

#### **Rural Urban Status**

Now lets examine the fraction of the households by rural or urban status. The first step to do this is I want to be able to perform a numerical calculation on the catagorical status of Rural or Urban. To do so, I need to use the np. where operation to compute it:

Then lets report some descriptive statistics.

	num_urban_y1	num_urban_y2
count	3839.000000	3839.00000
mean	0.643918	0.67231

Key observation: In year one and year two about 60+ percent of the housholds live in rural areas. Note that it appears that the fraction of rural housholds actually increased in year two. The one issue with this is that these are simple means and not using the sampling weights that are provided. Should update in the future.

#### **Rural Urban Gaps in Living Standards**

The final point is to report differences in living standard between rural and urban areas.

	Mean	Median	Year
0	1.784	1.668	2008
1	1.666	1.580	2012

Here what we see is that: rural areas earn substantially less than urban areas. In 2008, this was around 70 percent, shrinking slightly in 2012.

This observation is consistent with prior research that finds large gaps. Moreover, note that this gap (from an accounting perspective) matters as most of the Tanzanian population is Rural. Thus, from a mechanical perspective...why is Tanzanian really poor? Well most of their population is rural.

## **Geographic Dimensions of Rural-Urban Inequality**

Lets look at a couple of dimeionsons of rural-urban inequality. One is across the regions in Tanzania. Another is across unique geo-codes. In the analysis below, I'm going to focus on year 2 for several reasons. One is that Zanzibar appears to be miscoded with respect to urban-rural status. Second, Geocodes are all for year 2. So we will go with that.

#### **Rural-Urban Inequality By Region**

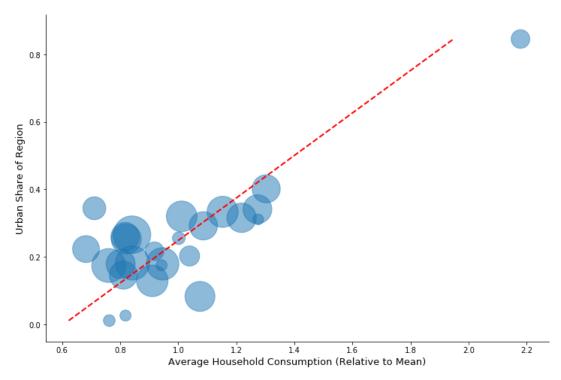
The idea her is to plot average consumption by region relative to their rural-urban share. Thus, this is exploiting the variation in different regions urbanization and exploring how their relative living standards all matches up.

The first step to performing this analysis is to groupby on the region variable and then construct the appropriate variables.

```
In [133]: year = "_y2"
    grouped = tanz.groupby(("region" + year)) # Groupby region and year
    avg_reg_cons = grouped["expmR" + year].sum() / grouped["adulteq"+ year].sum() # Average consumption
    avg_reg_cons = avg_reg_cons/avg_reg_cons.mean() # Normalize it relative to the aggregate mean
    frac_rural = grouped["num_urban" + year].mean() # regional rural urbanization
    frac_urban = 1-frac_rural
    size = 0.50*grouped["hhweight"+ year].mean() # How important different regions are
```

Then I'm going to regress consumption on the urban share of each region. The reason I'm doing this is so I can generate a best fit line plot on top of our scatter plot. After the discussion of the graph, I'll discuss the results as well.

### Houshold Consumption and Urban Share



The figure shows a very clear, systematic relationship between consumption and the Urban Share of a region. If we look closely, the outlier in the upper-right hand corner is Dar Es Salam, i.e. the major urban center of Tanzania.

What to make of this? Urbanization seems to matter a lot. A way to get a more formal sense of this is to look at the statistics from the regression:

```
In [174]: display(results.summary())
```

#### **OLS Regression Results**

Dep. Variable:	avg_reg_cons	R-squared:	0.678
Model:	OLS	Adj. R-squared:	0.665
Method:	Least Squares	F-statistic:	50.57
Date:	Wed, 13 Dec 2017	Prob (F-statistic):	2.37e-07
Time:	13:58:43	Log-Likelihood:	9.5959
No. Observations:	26	AIC:	-15.19
Df Residuals:	24	BIC:	-12.68
Df Model:	1		
Covariance Type:	nonrobust		

	coef	std err	t	P> t	[0.025	0.975]
Intercept	0.6050	0.065	9.279	0.000	0.470	0.740
frac_urban	1.5887	0.223	7.111	0.000	1.128	2.050

Omnibus:	2.220	Durbin-Watson:	1.879
Prob(Omnibus):	0.330	Jarque-Bera (JB):	1.165
Skew:	-0.499	Prob(JB):	0.559
Kurtosis:	3.281	Cond. No.	6.96

Where we see that the **Urban share explains almost 70 percent of the variation in consumption.** And this is all within Tanzania variation. One interesting question to follow up on would be to look at the cross-country evidence: For example, how much variation in cross-country income inequality is explained by the urban share. And is the slope, similar to the within country evidence?

### Rural-Urban Inequality by Household Location

This section esentially delves deeper into the region component by looking at the specific location of the household (which we have) and their level of consumption. Again, to execute this, I will groupby on the latitude and longitude of their reported location and then map their status as rural or urban, and map the associated level of consumption.

Step one: Groupby the location.

	lat_modified	lon_modified	rural_y2	cons_y2	y2_hhid_y2
0	-11.49701	35.607632	0.000000	397344.551492	9
1	-11.31545	34.786301	0.666667	766766.233372	9
2	-11.17032	34.996471	0.000000	443776.292471	10
3	-11.10879	34.642170	1.000000	530443.634563	10
4	-11.07245	37.319248	1.000000	499437.266714	10

Then here are some city locations from Tanzania. I found these on google by asking "latitude and longitude of X in Tanzania" where X is a city that I was aware of.

```
In [226]: citylon = [39.20 , 40.1760, 35.7516, 32.9175, 36.6830]
    citylat = [-6.79 , -10.3112, -6.1630, -2.5164, -3.3869]
    citylabels = ["Dar Es Salam", "Mtwara", "Dodoma", "Mwanza", "Arusha"]
# Some Locations to put on this...
```

Then below is the mapping routine. A lot is going on, but the essential idea is (i) construct the map (ii) plot the housholds on the map and (iii) make it look nice.

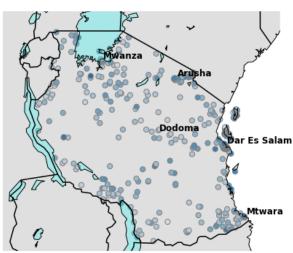
```
In [252]:
        fig, ax = plt.subplots(1, 2, figsize = (15,15))
        my_map = Basemap(projection='merc', # This is a simple one...some options require more input
                      resolution = 'l', area_thresh = 100.0, # Change ARC Thres, some islands don't show up.
                      llcrnrlon=28, llcrnrlat=-12, # This says "lower left hand cornoer lon, lower left hand corner
         Lat
                      urcrnrlon=42, urcrnrlat=-0, ax = ax[0]) # This says upper right hand corner Lon, upper right
         corner lat
                                             # Then it will draw a box given these specifications.
        my map.drawcoastlines()
        my_map.drawcountries(linewidth=1.5) # Make the country lines bolder
        my map.fillcontinents(color='grey',alpha = 0.25,lake color='aqua') # Fill in the Lakes
        x,y = my_map(cnt.lon_modified.tolist(), cnt.lat_modified.tolist())
        my map.scatter(x,y, latlon = False, c = cnt.rural y2.tolist(), cmap = plt.cm.Blues,
                    s = 50, alpha = 0.99, edgecolor='tab:gray')
        # Add Labels
        x,y = my_map(citylon, citylat)
        for label, xpt, ypt in zip(citylabels, x, y):
           ax[0].text(xpt+15000, ypt+15000, label, weight = "bold", fontsize=12)
        ax[0].set title("Tanzania:\n Rural or Urban Status by Household Location\n")
        ax[0].spines["right"].set_visible(False)
        ax[0].spines["top"].set_visible(False)
        ax[0].spines["left"].set visible(False)
        ax[0].spines["bottom"].set_visible(False)
        # Lets put consumption next to it
        my_map = Basemap(projection='merc', # This is a simple one...some options require more input
                      resolution = 'l', area_thresh = 100.0, # Change ARC Thres, some islands don't show up.
                      llcrnrlon=28, llcrnrlat=-12, # This says "Lower Left hand cornoer Lon, Lower Left hand corner
         Lat
                      urcrnrlon=42, urcrnrlat=-0,ax = ax[1]) # This says upper right hand corner Lon, upper right
         corner Lat
                                             # Then it will draw a box given these specifications.
        my_map.drawcoastlines()
        my_map.drawcountries(linewidth=1.5) # Make the country lines bolder
        my_map.fillcontinents(color='grey',alpha = 0.25,lake_color='aqua') # Fill in the Lakes
```

Tanzania: Rural or Urban Status by Household Location

Dodoma Dar Es Salam

Mtwara

Tanzania: Consumption by Household Location



Let me explain this graph. So each dot is a (group) of households. On the left panel is there location, with lighter locations being rural, darker being urban (most are just one or zero, but there is some mix). Here you see that around Dar Es Salam, or Arusha, there are urban households. On the right panel there is the consumption per adult equivalent at the household. Darker areas have higher levels of consumption.

The takeaway sit the urban areas in space, have higher levels of consumption. This is consistent with the aggregate facts above, the across region variation discussed in the plot above. And now here is a mapping illustrating the same point.

## **Tracking Households Across Time**

Explore how income changes over time with rural urban status. Some tables and simple regression. Add in eduction.

## **Summary**

Summarize what I find