

Investigating Welfare Dynamics with Repeated Cross Sections: A Copula Approach

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Abstract

Panel household surveys take a key role for tracking household welfare dynamics over time. Yet, the lack of such data has posed severe challenges to research and policy work concerning welfare dynamics in developing countries. Using copula functions, we propose a new approach to construct synthetic panels based on repeated cross sections that can offer substitute estimates in the absence of actual panels. We validate estimates of various measures of poverty mobility and income mobility based on the synthetic panels against those of the actual panels using the Vietnam Household Living Standards Surveys. We find that the copula-based synthetic panels yield estimation results that are encouragingly close to those based on the actual panels.

Keywords: chronic poverty, income mobility, consumption, cross sections, synthetic panels, household surveys

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