
Social Economics & Public Policy

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PROGRAM OF STUDIES cps.fgv.br/en/courses2

1. Topics

Inequality, Social Welfare, Inclusive Growth, Equality of Opportunities, Top Incomes and Wealth; Poverty, Decompositions, Imputations, Multidimensional Measures; Global Indicators, Social Goals; Middle Classes, Polarization; Mobility; Temporal Decisions; Political Cycles, Income Policies, CCTs, Targeting; Productive Inclusion, Informality, Entrepreneurship; Microfinance, Savings, Credit, Insurance; Education Quantity/Quality; Population Perceptions, Happiness and Well-being.

2. Objectives of the course

The course will develop an integrated framework on the measurement of the population well-being. The approach aims towards inequality, poverty, mobility and polarization departing from their respective social welfare functions. The main purpose is to assess the progress of living conditions from economic and empirical perspectives. The analysis is based on econometric techniques applied to microdata sets. The final goal is to debate the design and evaluation of public policies aimed at the Brazilian case (in particular, conditional cash transfers, education, productive inclusion and microfinance). We will address with updated data the most pressing issues of the Brazilian social debate and also trace international comparisons (World, BRICS, LACs, OECD, US).

3. Main learning goals

At the end of the course the student is expected to:

- i. Grasp the role played by different normative values and working hypothesis implicit in social indicators (growth, inequality, poverty, mobility, polarization) and how to measure these concepts.
- ii. Understand the channels through which policies may or may not affect social progress;
- iii. Experience statistical inferences on these relationships using household surveys and also to connect with other types of microdata sets (administrative records, national accounts, subjective surveys, randomized trials, big data..).
- iv. Discuss the main tradeoffs of the contemporary debate on some of the main Brazilian social policies and also gauge social changes using the most recent evidence available.

4. Methodology

Besides establishing connections between social indicators, social welfare functions and their derived properties (equality, prosperity, stability, and sensibility); assess public policies operating channels (through the current budget constraint; the production function; the ability to smooth fluctuations and to leverage opportunities between points in time and states of nature; well-being effects captured with subjective measures). The challenge is to offer an integrated perspective among and across different concepts, public policies and measurement issues. We will apply a set of microeconomic techniques: multivariate analysis in continuous and discrete variables, difference in difference estimators, matching, quantile regressions; markovian models; cohorts and demography; social accounting matrix; principal component analysis; among others.

5. Detailed programmatic content

I – Concepts and Assessment:

Social Welfare and Inequality (2 Classes)

- Social Welfare Function
- Inequality Indicators (Gini, Lorenz, shared prosperity etc)
- Inclusive Growth, Income Sources and Labor Ingredients
- Information Theory and Equality of Opportunities

Poverty, Classes and Mobility (2 Classes)

- Classical Poverty Indicators (P^0 , P^1 .), Stochastic Dominance and Multidimensionality
- Top Incomes, Polarization and Middle Classes
- Mobility and Transition Matrices
- Life Cycle, Cohorts and Temporal Decisions

Social Goals and Well-Being (2 Classes)

- Global Social Indicators (HDI, IHDI, SDGs, etc)
- Social Targets, Electoral Market and Macro Issues
- Perceptions on Public Policies and Economics of Happiness

II – Social Policies: (4 Classes)

- Income Policies, Conditional Cash Transfers and Individual Incentives
- Education: Quantity, Quality, Returns, Motivations and Goals
- Productive Inclusion: Employment and Entrepreneurship
- Microfinance: Savings, Credit, Insurance and Financial Literacy

6. Evaluation procedures

There will be one final exam. We will handle during the course a series of problem sets with solutions but without any grades associated. Students should choose a policy related topic and develop a short essay during the exam.

7. References

Class notes and a webpage (under construction) will be the main reading references of the course. Selected parts of the books and other obligatory materials below will be pointed out in class.

- Alvaredo, F et al. *World Inequality Report 2018*, Paris School of Economics, Paris, 2019.
- Atkinson, A.; Bourguignon, F. *Handbook of Income Distribution*, Oxford, Elsevier, 2015.
- Deaton, A. *The Analysis of Household Surveys: A Microeconometric Approach to Development Policy*. Washington, DC: Johns Hopkins University Press, 1997.
- Deaton, A. *The Great Escape: Health, Wealth and the Origins of Inequality*. Princeton and Oxford: Princeton University Press, 2013.
- Fields, G. *Distribution and Development: A New Look at the Developing World*. Cambridge, MA: The MIT Press, 1996.
- Gradin, C., Leibbrandt, M. and Tarp F., *Inequality in the Developing Giants*, forthcoming, Oxford University Press, 2020.
- Kakwani, N; Silber, J. *The Many Dimensions of Poverty*. New York: Palgrave MacMillan, 2008.
- Milanovic, B. *Global Inequality: A New Approach for the Age of Globalization*. Cambridge, MA: Harvard University Press, 2016.
- Milanovic, B. *Capitalism, Alone: The Future of the System That Rules the World*, Cambridge, MA: Harvard University Press, 2019.
- Neri, M. *Income Distribution Dynamics in Brazil*, mimeo, 2020.
- Piketty, T. *Capital in the Twenty-First Century*. Cambridge, MA: Harvard University Press, 2014.
- Posner, E. and Weyl G. *Radical Markets*, Princeton, Princeton University Press, 2018
- Rohde, N. J. *Divergence measurements of economic inequality*. Journal of the Royal Statistical Society: Series A (Statistics in Society), v. 179, n. 3, p. 847–870, 2016.
- Stiglitz, J. E.; Sen, A; Fitoussi, J.P. *Mismeasuring Our Lives: Why GDP Doesn't Add Up*. New York: The New Press, 2010.

Course WebPage: cps.fgv.br/en/courses2