BACHELOR DEGREE: Economics – 1st semester, 2020

COURSE: **Social Economics & Public Policy**   WebPage: **cps.fgv.br/en/courses**

PROFESSOR: Marcelo Neri   TA: Daniel Duque

CLASS LOAD: 60h

PREREQUISITE: None

OFFICE HOURS: Friday from 14:30 to 16:30 – room 1501

CLASS TIME LOAD: Friday 9:20 to 12:50 (2 consecutive classes of 1h40min each)

PROGRAM OF STUDIES

1. Topics

Inequality, Social Welfare, Inclusive Growth, Equality of Opportunities, Top Incomes and Wealth; Poverty, Decompositions, Imputations, Multidimensional Measures; Global Indicators, Social Goals; Mobility, Temporal Decisions, Polarization, Middle Classes; Political Cycles, Income Policies, CCTs, Targeting; Productive Inclusion, Entrepreneurship; Microfinance, Savings, Credit, Insurance; Education; Population Perceptions, Happiness and Well-being. OBS: Data related issues and Microeconometric techniques will be explored along the course.

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 Brazilian household surveys (PNAD, Census, etc.) and other 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 trace international comparisons and revise local experiences (especially BRICS, LAC, OECD, US; and Rio city neigboorhoods).

OBS: There will some flexibility to accommodate those with more substantive interest and less on mathematical and statistical instruments. Classes will be given in English but exams may be written in Portuguese or English.

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 measures used (growth, inequality, poverty, mobility, etc.) 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 data (administrative records, national accounts, subjective surveys, randomized trials, big data) in order to enrich the student research possibilities. Learn to search for relevant results.

4. Relation between the course and the contemporary debate

The course will cover the main elements and limitations of the current social policy agenda. It will explore links between economic and social performance, discussing distributive long run implications of structural reforms and their objectives (i.e. raising productivity and savings) and also gauge social fluctuations using the most recent surveys available.

5. Teaching Procedures (methodology)

Besides establishing connections between social indicators, social welfare functions and their derived properties (equality, prosperity, stability, and sensibility), we will explore social policies operating channels (through the current budget constraint; the production function; the ability to smooth fluctuations and to leverage existing opportunities between different points in time and states of nature; direct well-being effects approximated by subjective measures). The challenge is to offer an integrated perspective among and across different concepts, public policies and measurement issues, motivating the student with concrete examples. Along the course we will introduce a broad set of microeconometric techniques, including: multivariate analysis in continuous and discrete variables, difference in difference estimators, matching, discontinuity, quantile regressions; panel data and markovian models; cohorts and demographics; social accounting matrix; correspondence analysis and principal component analysis; among others.

6. Detailed programmatic content

I – Concepts and Assessment:

Social Welfare and Inequality
Social Welfare Function
Inequality Indicators (Gini, Lorenz etc)
Information Theory and Decompositions
Inclusive Growth, Income Sources and Labor Ingredients
Top Incomes and Wealth Distribution

Poverty
Classical Indicators (P^0, P^1 etc) and Stochastic Dominance
Poverty Lines, Cost of Living and Equivalence Scales
Counterfactual Simulations, Imputations and Multidimensional Measures

Mobility and Classes
Mobility and Transition Matrices
Life Cycle and Equality of Opportunities
Polarization and Middle Classes
Temporal Allocation and Capital Markets Imperfection

Well-Being, Human Development and Transversal Topics
Perceptions on Public Policies and Economics of Happiness
Global Social Indicators (SDGs, MDGs, HDI, PHDI, WIID)
Economy and Society: Data and Diversity
Microeconometric Techniques

II – Social Policies:

General
Structural Reforms and Macroeconomics with a Human Face
Electoral Market and Social Cycles
Fiscal Impacts: Targeting and Social Federalism
Social Goals and Collective Incentives

Sectoral
Conditional Cash Transfers and Individual Incentives
Education: Quantity, Quality, Returns, Motivations and Goals
Productive Inclusion: Employment and Entrepreneurship
Microfinance: Savings, Credit and Insurance

7. Evaluation procedures

The course will be evaluated with two exams plus a final exam for those who need or want to improve their grade. We will handle during the course a series of seven problems sets. In the second part of the course students are encouraged to choose a sectoral topic of specialization and think about connections about these areas.

8. Required Bibliography

- 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., Leibrandt, 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.

OBS: Selected parts of these books, texts and other obligatory materials will be pointed out in class. Class notes organize the course content.

9. Professor Short Bio

Marcelo Neri holds a PhD in Economics, Princeton University. Director of FGV Social. He was also the secretary-general of the Council of Economic and Social Development (CDES), president of the Institute for Applied Economic Research (Ipea) and Minister of Strategic Affairs in Brazil. He evaluated policies in more than a dozen countries and also designed and implemented policies at three government levels in Brazil. Areas of research are well-being, social policies and microeconometrics. Founder of the Center for Social Policies at Getulio Vargas Foundation (CPS/FGV); teaches at Graduate and Undergraduate courses in Economics at FGV EPGE. He writes regularly in scientific journals and in general magazines. Edited 10 books on Microcredit; Social Security; Rural Poverty; Bolsa Família; CCTs; Population Perceptions on Public Policies; Planning Public Policies; Diversity; Social Impacts of Olympics, Consumption; and New Middle Class.

10. Links

Course page:

https://cps.fgv.br/en/courses

www.fgv.br/fgvsocial

https://www.wider.unu.edu/expert/marcelo-neri

https://pt.wikipedia.org/wiki/Marcelo_Neri

http://www.econ.puc-rio.br/datazoom/english/index.html

Portuguese version of the Course Programme

Spanish version of the Programme