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BACHELOR DEGREE: Economics – 1<sup>st</sup> semester, 2019

COURSE: **Social Economics & Public Policy**      WebPage: [eps.fgv.br/en/courses](https://eps.fgv.br/en/courses)

PROFESSOR: Marcelo Neri      TA: Daniel Duque

CLASS LOAD: 60h

PREREQUISITE: None

OFFICE HOURS: Monday from 14:00 to 16:00 – 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 Microeconomic 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 neighborhoods).

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

### 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 microeconomic 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.

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## 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
- Microeconomic 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.

## 8. Required Bibliography

- 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, Gary. *Distribution and Development: A New Look at the Developing World*. Cambridge, MA: The MIT Press, 1996.
- Kakwani, N; *Income Inequality, and Poverty: Methods of Estimating and Policy Applications*, Oxford University Press, 1980
- 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.
- Neri, M. *Income Distribution in Brazil*, mimeo, 2019.
- Piketty, T. *Capital in the Twenty-First Century*. Cambridge, MA: Harvard University Press, 2014.
- 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. Complementary Bibliography

☞ seminal references

- Angrist, J.; S. Pischke. *Mostly Harmless Econometrics: An Empiricists' Companion*. Princeton: Princeton University Press, 2008 (373 p.).
- Attanasio O.; Székely, M. *Portrait of the Poor: An Assets-Based Approach*. Washington, DC: IADB, 2001 (266 p.).
- ☞ Atkinson, A. *On the Measurement of Inequality*. *Journal of Economic Theory* 2, p. 244-63, 1970.
- ☞ Bacha, E.; Taylor, L. *Brazilian Income Distribution in the 1960s: 'Facts', Model Results and the Controversy*. *Journal of Development Studies*, vol. 14, n. 3, p.271-297, 1978.
- Banerjee, A.; Bénabou, R.; Mookherjee, D. *Understanding Poverty*. Oxford: Oxford University Press, 2006.
- Barros, R. P.; Lam, D. *Income and Educational Inequality and Children's Schooling Attainment in Brazil*. In Birdsall, N.; Sabot, R. (eds.). *Opportunity Foregone: Education in Brazil*. Washington, DC: Inter-American Development Bank, 1996.
- ☞ Becker, G. *Human Capital: A Theoretical and Empirical Analysis with Special Reference to Education*. New York: Columbia Press for the National Bureau of Economic Research, 1964.
- ☞ Becker, G. *A Treatise on the Family*. Cambridge, MA: Harvard University Press, 1981.
- Bourguignon, F. *Decomposable Income Inequality Measures*. *Econometrica*, vol. 47, p. 901-920, 1979.
- Campello, T; Neri, M. C. (org.). *Bolsa Família Program: Executive Summary*. 74 p. from *Programa Bolsa Família*, Brasília: IPEA, 1ª edição, 2013 (494 p.).
- Campbell, J.; Viceira, L. *Strategic Asset Allocation. Portfolio Choice for Long-Term Investors*. New York: Oxford University Press, 2002.
- Crespo, A.; Ferreira, F. *Inequality of Opportunity in Latin America: Economic Well-Being, Education and Health*. In Blofield, M. (org). *The Great Gap: Inequality and Politics of Redistribution in Latin America*. The Pennsylvania State University Press, 2011
- Davies, J. B. (ed.). *Personal Wealth from a Global Perspective*. Oxford: Oxford University Press, 2008.
- ☞ Datt, G.; Ravallion, M. *Growth and redistribution components of changes in poverty measures: a decomposition with applications to Brazil and India in the 1980s*. *Journal of Development Economics*, vol. 38, p. 275-295, 1992.
- Deaton, A. *Understanding Consumption*. New York: Oxford University Press, 1992.
- Deaton, A.; Muellbauer, J. *Economics and Consumer Behavior*. New York: Cambridge University Press, 1980.
- ☞ Fishlow, A. *Brazilian Size Distribution of Income*. *American Economic Review*, vol. 52:2, p. 391-402, 1974.
- ☞ Foster, J.; Greer, J.; Thorbecke, E. *A Class of Decomposable Poverty Measures*. *Econometrica*, vol. 52:3, p. 761-66. 1984.
- ☞ Fujiwara, T. *Voting Technology, Political Responsiveness, and Infant Health: Evidence From Brazil*. *Econometrica*, vol. 83, p. 423-464, March 2015.
- Gasparini, L.; Cicowiez, M.; Sosa, W. *Pobreza y Desigualdad en America Latina: Conceptos, Herramientas y Aplicaciones*. La Plata, Argentina: CEDLAS, 2014.

- Hecksher, M.; Silva, P.L.N.; Courseil, C. *Preponderância dos ricos na desigualdade de renda no Brasil (1981-2016): Aplicação da J-divergência a dados domiciliares e tributários*. Tese de Mestrado ENCE/IBGE, 2017.
- Hoffmann, R. *Distribuição de renda, medidas de desigualdade e pobreza*, São Paulo: Editora da Universidade de São Paulo (Edusp), 1998.
- ‡ Jeffreys, H. *An invariant form for the prior probability in estimation problems*. Proceedings of the Royal Society of London, Series A, Mathematical and Physical Sciences, v. 186, n. 1007, p. 453–461, 1946.
- Kakwani, N.; Neri, M.C.; Son, H. *Linkages Between Pro-Poor Growth, Social Programs and the Labor Market: The Recent Brazilian Experience*. World Development, 2010.
- ‡ Lam, D.; Schoeni, R. *Effects of Family Background on Earnings and Returns to Schooling: Evidence from Brazil*. Journal of Political Economy, vol.101 (4), p. 710-740, 1993.
- ‡ Langoni, C. G. *Distribuição da Renda e Desenvolvimento Econômico do Brasil*. Rio de Janeiro: Editora FGV, 3ª edição, caps. 3 e 5, 2005 (280 p.).
- Layard, R. and Glaister, S. *Cost-Benefit Analysis*. Cambridge: 2<sup>nd</sup> edition, 2005.
- Medeiros, M.; Souza, P. H. G. F.; Castro, F. A. *A Estabilidade da Desigualdade de Renda no Brasil, 2006 a 2012: estimativa com dados do Imposto de Renda e Pesquisas Domiciliares*. Ciência & Saúde Coletiva, vol. 20, n. 4, p. 971–986, 2015.
- ‡ Modigliani, F. *Life Cycle, Individual Thrift, and the Wealth of Nations*. American Economic Review, vol. 76 (3), p. 297-313, June 1986.
- Monasterio, L; Neri, M. C.; Soares, S. (org.). *Estado, Planejamento e Políticas Públicas*. Brasília: Ipea, 2014. Vol. 1 (339 p.) e Vol. 2 (517 p.).
- Neri, M. C. *New Middle Class*. mimeo, 2014. Updates and Sumarizes *A Nova Classe Média*. Rio de Janeiro: Editora Saraiva, 1ª edição, 2011 (311 p.).
- Neri, M. C. *Microcrédito: O Mistério Nordestino e o Grameen brasileiro*. Rio de Janeiro: Editora FGV, 2008 (376 p.).
- Neri, M. C. *Diversidade*. Rio de Janeiro: Editora FGV, 1ª edição, 2003 (204 p.).
- Neri, M. *Cobertura Previdenciária: Diagnóstico e Propostas*. Brasília: Ministério da Previdência e Assistência Social, 2003 (304 p.).
- Neri, M. C.; Schiavinatto, F. (org.). *SIPS 2014: Brazilians' perceptions on public policies: Executive Summary from SIPS 2014: percepções da população sobre políticas públicas*. 1ª edição. Brasília: Ipea, 2014. Vol. 1 (488 p.).
- Rojas, M. (org.). *Handbook of Happiness Research in Latin America*. Netherlands: Springer, 2015.
- Ravallion, M. *Poverty Comparisons: A guide to concepts and methods*. Washington, DC: World Bank LSMS Working Paper No. 88, 1992.
- ‡ Shorrocks, A. *Income inequality and income mobility*. Journal of Economic Theory vol. 19 (2), p. 376–393, 1978.
- Silverman, B. *Density Estimation for Statistics and Data Analysis*. New York: Chapman and Hall, 1998.
- ‡ Sen, A. *On Economic Inequality*. Oxford: Clarendon Press, 1973.
- ‡ Theil, H. *Economics and Information Theory*. Amsterdam: North-Holland, 1967.
- Zingales, L. *A Capitalism for the People: Recapturing the Lost Genius of American Prosperity*. New York: Basic Books, 2012 (338 p.).

## 10. 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. He was indicated twice as one of the 100 most influential Brazilians. 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 EPGE/FGV. 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; Consumption; and New Middle Class.

## 11. Links

Course page (under construction): <http://cps.fgv.br/cursos-fgv-social>

[www.fgv.br/fgvsocial](http://www.fgv.br/fgvsocial)

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

[https://pt.wikipedia.org/wiki/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](#)