

14P017

3 ECTS

Social Economics

Overview and Objectives

Description of the course

The first part will focus on the subjective well-being literature. The course will focus on the methods, the data used, and the relevance of the topic and its results. The choice of specific papers and topics relies on their importance in the literature, the debate generated around them, and their evolution over the years. The course will focus on its novelty, results, empirical strategy, and opportunities for the future, keeping in mind its relevance for public policy.

The second part of the course will focus on the econometrics and empirical analysis of social interactions in several contexts from peers effects in schooling to consumption behavior and labor market performance. There are no textbooks for the class.

Objective

First part: The course will offer many policy conclusions and take home lessons on the use of subjective measures as a proxy for understanding individuals' preferences.

Second part: The close relation to development and education economics means that the course will offer many "policy conclusions" to take home. At the end of the course students will have an understanding of how formal and informal institutions and economic outcomes are related.

Course Outline

Part 1: Subjective measures

1. New developments into the measurement of utility
 - A conceptual framework and empirical evidence
 - Data: Available data panels and experiments
 - Econometric techniques and its main assumptions
 - Endogeneity endogenous variables and reverse causality
2. A short overview of current results, other relevant measures & relevance
3. A glance into some relevant topics:
 - Inflation, unemployment, GDP
 - Income: optimal taxation

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- Preference based valuation methods
- Own unemployment & unemployment rate
- Reverse causality: happiness to productivity
- Reverse causality: job to health
- Happiness & other relevant policy variables: Health & the environment
- Inequality & poverty & adaptation to it

References:

Additional references will be provided during the course.

- D.J. Benjamin, O. Heffetz, M. Kimball & A. Rees-Jones, 2012. American Economic Review 102(5): 2083-2110.
- M. Fleurbaey & H. Schwandt, 2015. Do People Seek to Maximize Their Subjective Well-Being?. IZA discussion paper.
- Akay, Bargain & Tamayo, 2013. Back to Bentham? Large scale comparison of decision and experience utility, Working paper
- Kuhn, Kooreman, Soetevent, & Kapteyn. 2011. American Economic Review, 101: 2226-2247.
- Card, Mas, Moretti, & Saez. 2012. American Economic Review, 102: 2981-3003.
- Luechinger. 2009. The Economic Journal, 119: 482-515
- Clark, Knabe & S. Rätzel. 2010. Labour Economics, 17: 52-61
- Oswald, Proto, & Sgroi, 2014. Journal of Labor Economics,

Part 2: Social Interactions

Class 1: Presentation of the class and syllabus. Recap of program evaluation, definition of the evaluation problem, parameters of interest and methods.

- Lecture notes and Blundell, R. and Costa-Dias, M., (2009), "Alternative Approaches to Evaluation in Empirical Microeconomics, Journal of Human Resources, Vol. 44, No. 3, pp. 565-640.

Class 2: Formal and informal institutions in the development process

- Lecture notes
- Acemoglu, D., Johnson, S. and Robinson, J., (2001), The Colonial Origins of Comparative Development: An Empirical Investigation, American Economic Review, 91(5): 1369-1401.
- Angelucci, M., De Giorgi, G., and Rasul, I., (2014), Resource Sharing within the Extended Family: Insurance and Investment, mimeo.

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Class 3: The Econometrics of Social Interactions

- Manski, C., (1993), Identification of Endogenous Social Effects: The Reflection Problem, "Review of Economic Studies, 60: 531-542.
- Moffitt, R., (2001), Policy Interventions, Low-Level Equilibria, and Social Interactions," in Social Dynamics, S. Durlauf and H. P. Young eds., Cambridge: MIT Press.
- Bramoulle, Y., Djebbari, H. and Fortin, B., (2009), Identification of Peer Effects through Social Networks", Journal of Econometrics, 150(1): 4155.

Class 4: Empirical Evidence on the role of Peers in Schooling, in the Labor Market, on Consumption, and Welfare Participation

- De Giorgi, G., Pellizzari, M. and Redaelli, S. (2010), Identification of Social Interactions through Partially Overlapping Peer Groups, American Economic Journal: Applied Economics, 2(2): 241-275.
- Mas, A., and Moretti, E., (2009), Peers at work, American Economic Review, 99(1): 112-145.
- De Giorgi, G., Frederiksen, A., and Pistaferri, L., (2014), Consumption Network Effects, mimeo.
- Dahl, G., Løken, K., and Mogstad, M., (2014), "Peer Effects in Program Participation", Forthcoming in the American Economic Review.

Required Activities & Evaluation

In the first part of the course, the students will have to present a paper in groups of 2/3. This counts 10% of the grade.

The second part: participation counts 10%

The remaining 80% of the grade will be a final paper that should not be longer than 10 pages. **The paper has to be delivered by June 30.** Description of the Final Paper: Answer a research question by examining the literature and, if possible, the current data sets. The exercise needs to cover the following aspects: (i) introduce the question and its relevance, in particular its policy relevance; (ii) discuss the existing literature and how your project relate to that, (iii) explain how you will approach the question: empirical strategy and/or theoretical model, (iv) discuss and explain your findings (for example, what they add to our current knowledge, how they compare the literature so far), finally (iv) short conclusions where you reiterate the relevance and highlight the punchline.