

14P017

Social Economics

Spring Term - 3 ECTS

Mandatory Course

Prof. Giacomo de Giorgi  
and Prof. Ada Ferrer-i-  
Carbonell

## 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 and development economics.

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.

### *Objectives*

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. In addition, it will extend to the use of other self-reported measures and personality measures. The students will understand how to perform a good analysis of these questions and how these can use to advance in economics.

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

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2. A short overview of current results, other relevant measures & relevance

3. Personality measures and attitudes: a brief overview of personality measures and its impact on behavior and outcomes.

4. A glance into some relevant topics:

- Inflation, unemployment, GDP, and migration
- Income and status, and optimal taxation
- Political Institutions
- Own unemployment & unemployment rate
- Reverse causality: happiness to productivity
- Reverse causality: job to health
- Preference based valuation methods
- Happiness & health
- Inequality & poverty & adaptation to it

**References:** References will be provided during the course.

### ***Part 2: Social Interactions***

Class 1 & 2: Presentation of the class and syllabus. Formal and Informal institutions in the development process

- Lecture notes/slides
- Knack and Keefer, QJE 1997, DOES SOCIAL CAPITAL HAVE AN ECONOMIC PAYOFF?
- 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), Consumption and Investment in Resource Pooling Family Networks, the Economic Journal, 2018, 128(615): 2613-51
- Banerjee, A., & Newman, A. (1998). Information, the Dual Economy, and Development. The Review of Economic Studies, 65(4), 631-653.

Class 3: The Econometrics of Social Interactions

- Lecture notes/slides

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- 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.
- Munshi, K., (2003), Networks in the Modern Economy: Mexican Migrants in the U. S. Labor Market, The Quarterly Journal of Economics, Volume 118, Issue 2, 1 Pages 549–599
- Sacerdote, B., (2001), Peer Effects with Random Assignment: Results for Dartmouth Roommates, The Quarterly Journal of Economics, Volume 116, Issue 2, Pages 681–704,

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

- Bramoulle, Y., Djebbari, H. and Fortin, B., (2009), Identification of Peer Effects through Social Networks", Journal of Econometrics, 150(1): 4155.
- 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, forthcoming, the Review of Economic Studies

### Required Activities & Evaluation

In the first part of the course, the students will have to do some small activities that will count 10% of the grade.

The remaining 90% of the grade will be a single authored final paper that should not be longer than 10 pages. **The paper has to be delivered by June 30 (or by 7am on July 1)**. 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.

### Prerequisites to enroll

Being doing one of the masters of the Barcelona GSE

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### Competences

To (be able to) communicate with determination and in the English Language, the results and implications of the required analytical study using a language that the receiver can relate to.

To work within a heterogeneous team of researchers as economic analyst using specific group techniques.

To fit in diverse professional environments and varied types of collaborations in different professional projects.

To possess and understand the knowledge that provides a basis or opportunity to be original in the development and / or application of ideas, often in a research context.

That the students be able to communicate their conclusions and the knowledge and the ultimate reasons that sustain them to both, specialized and non-specialized publics in a clear and unambiguous way.

That students possess the learning skills that allow them to continue studying in a way that will be largely self-directed or autonomous.

To identify and apply the insights of the theory, the models, and the analytical tools of modern economy to its global dimension.

Understand and apply the Economic Theory and statistical models of the design of the evaluation of public policies.

Understand and apply the quantitative methods used to solve complex problems of the economy.

Evaluate, with theoretical and quantitative instruments, complex realities of the economy to understand its functioning.

### Learning Outcomes

Knows rigorously the economic theory of design and evaluation of public policies.

Applies the empirical tools of economic analysis to evaluate public policies.

Knows the institutional frameworks in which public policies are designed and implemented.