

Inequality is a topic of major interest to both academics and policymakers as it has been widely acknowledged that it influences society's well-being and economic development. The government can significantly affect inequality through redistributive policies. As these are generally designed to transfer resources from the rich to the poor, their eligibility often depends on an individual's financial position. However, there also exist extensive social programs targeted at specific social groups, e.g. families or retirees, regardless of their earnings and wealth. One example are universal child benefits, which in some countries take the form of regular (e.g. monthly) cash payments that may depend on the number of children in the family or their age, but not on parents' financial situation. Such programs have been introduced e.g. in Germany, Austria and Finland, and more recently also in Poland (Family 500+).

Assessing the impact of redistributive policies is nontrivial, and the most influential research in this area applied structural general equilibrium models to analyze them. However, this literature almost entirely focuses on tax policies, pensions systems or unemployment benefits, and the welfare and redistributive effects of non-income related cash benefits have not yet been thoroughly examined with this class of models. The main purpose of this project is, therefore, to fill this research gap.

To this end, I plan to build a general equilibrium life-cycle model that accounts for different forms of heterogeneity between households and individual risks, related to earnings, infertility, mortality, and health deterioration. As a model economy, I will use Poland, and the model will be carefully parametrized to replicate the key features of this country. In particular, it will match the inequality of income and wealth, uncertainty of individual income, and how average earnings change with age. It will also account for the detailed population structure, i.e. the distribution of households depending on age, family composition, the timing of childbearing, the source of income, etc. For this purpose, the relevant empirical evidence from individual and household level data surveys will be collected or estimated.

Having done this, the model will serve as a tool for evaluating the long-term macroeconomic and welfare implications, as well as the redistributive effects of targeted non-income related cash benefits. More specifically, I will assess the impact of two types of programs, of which the first one will be targeted to families with children while the second one to pensioners. The analyzed programs will not be only hypothetical, but mimic the already existing policies, particularly child benefit programs adopted in many European countries, including Poland. I will introduce different scenarios of financing these programs and compare their implications. Next, I will compare the welfare effects of the above-mentioned programs to the standard redistributive policies that are targeting the poorest.

The project will add to the understanding of the life cycle behavior of households and the sources of inequalities, as well as policies used to reduce them. A valuable outcome of the project will be the developed model itself, which has the potential to become a useful reference for futures theoretical and quantitative studies on the effects of redistributive policies.