Topics in Applied Economics II: Economics of Inequality and Redistribution

2017-2018 Academic Year
Master of Research in Economics, Finance and Management

1. Description of the subject

- Topics in Applied Economics II
- Total credits: 3 ECTS
- Type of subject: Optative
- Department of Economics and Business
- Teaching team: R. Enikolopov / M. Petrova

Code: 32087
Workload: 75 hours
Term: 2nd
2. Teaching guide

Introduction

In recent years, there has been a growth of papers using applied empirical methods in economic policy and related fields. The purpose of this course is to introduce basic concepts from the literature in political economy of inequality and redistribution. The main focus will be on the study of research approaches used in recent top papers in the area. This class is designed for students interested in doing research in political economy, public economics, and related fields.

The class is focused on the topics of inequality and different redistributive and social policies. This section will overview general aspects of redistribution, such as social insurance, redistribution and divided societies, preferences for redistribution, intergenerational mobility, as well as particular types of redistributive policies, such as labor protection and pensions.

The course will mostly focus on empirical research, though some theoretical models will be included as well.

This is PhD level class.

All MRes students are allowed to take this class. For Master in Economics students, we ask for concurrent enrollment in Econometric Methods II.

Contents

Inequality and Redistribution: basic facts

- Alesina and Glaeser, Fighting Poverty, ch.1, 2.

**Some Relevant Models**
• R. Boodway and M. Keen, "Redistribution", Parts 1-3 of Ch. 12 in Atkinson and Bourguignon(eds.), *Handbook of Income Distribution Vol. 1.*

**Preferences for Redistribution**
• **Alesina, A., and N. Fuchs-Schuendeln “Good Bye Lenin (or not?) – The Effect of Communism on People’s Preferences,” American Economic Review, September 2007 (97), 1507-1528**
• Durante, Ruben, and Louis Putterman. (forthcoming) "Preferences for redistribution and perception of fairness: An experimental study." *Journal of European Economic Association*

**Intergenerational Mobility**
• Raj Chetty, Nathaniel Hendren (2015) *The Effects of Neighborhoods on Intergenerational Mobility: Childhood Exposure Effects and County Level Estimates,* working paper

Redistribution in Divided Societies
• Alesina and Glaeser, Fighting Poverty, ch. 6.

Redistribution as Social Insurance
• **Moene, Karl Ove and Michael Wallerstein, "Inequality, Social Insurance and Redistribution." American Political Science Review 95 (4) [2001], 859-874.

Inequality and growth
• Banerjee A.V. and Duflo E. “Inequality and growth: what can the data say?” Journal of Economic Growth, Volume 8, Number 3, September 2003 , pp. 267-299(33)

On the origins of inequality


• Boix, Carles (2010) “Origins and Persistence of Economic Inequality,” Annual Review of Political Science


Inequality and wealth bias in policy making


• Acemoglu, Daron and James Robinson (2012): Why Nations Fail, Crown Business


Labor market stratification and performance


• Michael Wallerstein, "Wage-Setting Institutions and Pay Inequality in Advanced Industrial Societies." American Journal of Political Science 43 (3) (July 1999), 649-680

Teaching methodology

Approach and general organization of the subject

The course will be based on the discussion of the relevant research papers. There will be two weekly lectures and no seminars, but the student will be required to spend substantial amount of time reading the required papers outside the classroom.

Assessment

Assessment system

The grade will be a combination of active class participation and attendance, weekly referee reports, and the final short research paper.

Grading system

The weight in the final grade:
- referee reports – 45%
- class participation – 5%
- research paper – 50%
# 3. Programme of activities

- Description of the subject: Topics in Applied Economics III
- Total credits: 3 ECTS
- Total number of hours: 20
- Estimated time spent on the subject: 60
  - In the classroom: 20
  - Outside the classroom: 40

## Weekly timetable of learning and assessment activities

<table>
<thead>
<tr>
<th>Week (dates)</th>
<th>Work in the classroom (plenary, seminar, practical, etc.)</th>
<th>Estimated time</th>
<th>Activities outside the classroom (time studying, preparing activities, etc.)</th>
<th>Estimated time</th>
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<tr>
<td>1st week</td>
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<td>6th week</td>
<td>Basic facts, measures of inequality</td>
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<td>Basic models</td>
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<td>7th week</td>
<td>Inequality and information</td>
<td>2</td>
<td>Referee report</td>
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<td>Redistribution in Divided Societies</td>
<td>2</td>
<td>Brainstorming topics</td>
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<tr>
<td>8th week</td>
<td>Origin of Inequality</td>
<td>2</td>
<td>Referee report</td>
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<td>Intergenerational Mobility</td>
<td>2</td>
<td>Brainstorming topics</td>
<td>1</td>
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<tr>
<td>9th week</td>
<td>Role of Beliefs, Luck, Religion</td>
<td>2</td>
<td>Referee report</td>
<td>5</td>
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<td>Skill specificity. Inequality and democracy</td>
<td>2</td>
<td>Preliminary research for term paper</td>
<td>3</td>
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<td>10th week</td>
<td>Non-income inequality</td>
<td>2</td>
<td>Referee report</td>
<td>5</td>
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<td>Student presentations</td>
<td>2</td>
<td>Preparing presentation</td>
<td>5</td>
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<td>Exam Period</td>
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<td>Writing term paper</td>
<td>10</td>
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<td>Total hours</td>
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