TOPICS IN POLITICAL ECONOMY (14.29J) 17.807J

Professor David Spector
Economics Department
Room E52-251A
258-9268
spector@mit.edu

Professor James Snyder
Political Science Department
Room E53-457
253-2669
millett@mit.edu

Mondays and Wednesdays from 10:30 a.m. to 12:00 noon in Room E51-061.

This course is an introduction to the political economy of inequality and redistribution, emphasizing both empirical and theoretical results. The following syllabus probably extends over more topics than it will be possible to cover, so please do not hesitate to tell me about your preferences. The requirement is going to be two take-home exams (in October and December). You may decide to waive the final one by writing a short research paper instead (we encourage this choice and will propose some topics.)

1. General facts.

How does one measure inequality?
How did inequality and redistribution evolve over time and across countries?


2. The labor-capital conflict. Is wealth inequality the main thing to look at?

(a) History


(b) The classical model of growth and distribution


(c) What is the effect of taxing capital?

*The effects of capital taxation depend a lot on the degree of capital/labor substitutability. On this,*


(d) A view of the politics of redistribution in this framework:


(e) The marxian theory of exploitation and polarization


(f) Making sense of marxian ideas: the theory of imperfect credit markets

Application to land reform in India: redistributing wealth may enhance efficiency:

Banerjee, A., Gertler P. and M. Ghatak, Empowerment and efficiency: the economics of Agrarian Reform,” (mimeo)

3. Human capital and wages

Imperfect credit markets cannot explain everything:


(a) Discrimination and affirmative action: theory and empirics


(b) The distribution of skills and the dynamics of inequality


(c) Human capital formation


(d) What explains the increased dispersion of wages in developed countries since the 1970s?

General synthesis:


**Technology:**


**Trade liberalization:**


(e) **How and how much can this increase inequality be corrected?**

**Minimum wages:**


Spector, D. (1999), Minimum wage versus fiscal redistribution.”(mimeo)


**Fiscal redistribution:**


4. **The politics of redistribution**

(a) **History of redistribution**


(b) Fairness concepts and their limits


An atypical view of inequality:


(c) Positive analysis

Dynamics of income distribution and vote on redistribution


Should one expect efficient forms of redistribution?


What shapes people’s views on the desirability of redistribution?

