Objective of the lectures

Inequality presently is a hot topic in politics and both economic research and policy. This is true both in developing as much as in developed countries. This is also true at the global level, as shown by the emphasis on the fight against global poverty in the Sustainable Development Goals, which succeeded the Millenium Development goals. This concern for inequality may obey various motivations: social justice, political stability and economic efficiency. The ambition of these lectures is to reflect on what economists have to say on these various aspects of inequality by focusing on some issues among the following. Is it true that inequality is rising everywhere? Is too much inequality detrimental to economic development? What kind of inequality? Through which channels? How much is ‘too much’? Which instruments and which policies can reduce inequality? What is the political economy of these policies and possible tradeoffs behind them?

The recent literature on inequality is voluminous. These lectures intend to provide a general view of that literature. It is more on the deep lessons to be learnt from it in terms of knowledge and the research questions it points to, than on purely technical aspects of it.

Outline

Introduction: The various concepts of inequality, the poverty-growth-inequality triangle and the two-way relationship between inequality and development

I. Trends in inequality in the world
   a) Issues in the measurement of inequality
   b) Within country inequality
      - The heterogeneity of the evolution of standard measures of 'income' inequality in developing and developed countries
      - The issue of missing 'top incomes' in standard income inequality measurement
      - The evolution of the functional distribution of income
      - Inequality of income vs. inequality of opportunity
   c) Global inequality and poverty
      - Recent estimates of global inequality trends
   d) The debate about the factors of rising inequality
      - Globalization, technical progress, redistribution
II. The macroeconomics of inequality and growth: theory

   a) The effect of development and structural changes on inequality
   b) The various channels through which inequality may affect economic growth
      - The 'Kaldorian' mechanism
      - Market imperfections and the inequality of opportunity
      - Endogenous redistribution and political economy channels
      - The structure of demand
      - The role of institutions

III. The empirics of the relationship between inequality, redistribution and growth

   a) The ambiguous empirical relationship between (income) inequality, growth and redistribution
      - The weakness of aggregate macro evidence
      - The micro evidence and the difficulty of aggregating up
   b) The microeconomics of income distribution dynamics
      - Microsimulation methods
      - Population changes: fertility, aging, migration, assortative mating
      - Education: structure of the population by educational level, returns to schooling
      - Labor supply/employment: within household task allocation, market vs. non-market activities, functioning of the labor market
      - Income transfers: public and private
      - Micro-macro modeling

Conclusion: redistributing income vs. equalizing opportunities

Selected Readings

- * Acemoglu, Daron, Simon Johnson, and James Robinson (2005), Institutions as a fundamental cause of long-run growth, in Aghion, Philippe and Steve Durlauf (eds), Handbook of Economic Growth, Elsevier, Amsterdam
- Ehrhart, Christopher (2009), The effects of inequality on growth: a survey of the theoretical and empirical literature, ECINEQ, Working paper 2009-107
- Ostry J., Berg A. and Tsangarides C. [2015], Redistribution, inequality and growth, IMF Staff Discussion Note, SDN 14/02, IMF, Washington