

Master Thesis Topics

Topic 1: Inequality and Growth

The relationship between growth and income- or wealth inequality is complex. Economic growth affects the distribution of wealth and income. At the same time, inequality affects growth. It is frequently argued that (more) inequality reduces growth. Or is (some) inequality needed to propel growth?

This thesis aims at providing a critical literature review of the academic discussion on the relationships between inequality and growth.

Key Literature:

Eicher, T.S., S.J. Turnovsky (2003), *Inequality and Growth. Theory and Policy Implications*, Cambridge, MA: MIT Press.

Piketty, T. (2014), *Capital in the Twenty-First Century*, Cambridge, MA: Harvard University Press.

Turnovsky, S.J. (2015), *Economic Growth and Inequality: The Role of Public Investment*, *Journal of Economic Dynamics and Control* 61, 204-221.

Turnovsky, S.J., M. Koyuncu (2016), *The Dynamics of Growth and Income Inequality under Progressive Taxation*, *Journal of Public Economic Theory*, forthcoming.

Topic 2: Positional preferences and unemployment

Many papers deal with distortionary effects of relative consumption concerns (positional preferences) in both static and dynamic frameworks. These papers consider full employment of labor throughout.

The present thesis aims at discussing distortionary effects of relative consumption concerns in the presence of (involuntary) equilibrium unemployment. It first reviews the literature on equilibrium unemployment (and optimal taxation). Second, it develops a first model capturing both positional preferences and equilibrium unemployment. How does one affect the other? How are well-known optimal tax results (as shown in the prior literature) changed by positional preferences under equilibrium unemployment?

Key Literature:

Aronsson, T., K.G. Löfgren, T. Sjögren (2001), *Union wage setting and capital income taxation in dynamic general equilibrium*, *German Economic Review* 2, 141-175.

Aronsson, T., T. Sjögren (2004a), *Efficient taxation, wage bargaining and policy coordination*, *Journal of Public Economics* 88, 2711-2725.

Aronsson, T., T. Sjögren (2004b), *Is the optimal labor income tax progressive in a unionized economy?*, *Scandinavian Journal of Economics* 106, 661-675.

Topic 3: Status, Wealth Distribution and Endogenous Growth in the Aghion-Howitt (1992) Framework

Many studies investigate the impact of the wealth distribution on endogenous growth. Other studies consider the impact of status considerations (positional preferences) on (the wealth distribution and) economic growth.

This thesis brings together these literatures. Specifically, it analyzes the impact of status concerns on endogenous economic growth. In contrast to Corneo and Jeanne (2001) – who focus their analysis on an Ak-framework – this thesis works out the relationships between status and endogenous growth in the Aghion-Howitt (1992) framework with Schumpeterian growth.

Key Literature:

Aghion, P., P. Howitt (1992), A Model of Growth through Creative Destruction, *Econometrica* 60, 323-351.

Corneo, G., O. Jeanne (2001), Status, the Distribution of Wealth, and Growth, *Scandinavian Journal of Economics* 103, 283-293.