

Perceptions of Inequality and the Political Economy of Development

From Redistribution Beliefs to Industrial Policy

Course overview

This course links two core pieces of the political economy of development. The first block (Weeks 1–3) focuses on how people perceive economic inequality and social mobility, and how those beliefs shape redistribution preferences, tax legitimacy, and the fiscal-social contract. The second block (Weeks 4–6) turns to industrial policy: the rationale for state intervention in productive transformation, its political and institutional constraints, and the role of trade and integration in shaping policy space.

Learning goals

- Understand classical models of redistribution and the ways subjective beliefs (fairness, meritocracy, mobility, trust) mediate policy preferences.
- Learn how inequality perceptions are measured and why misperceptions can be systematic.
- Design, field, and analyze a short survey on inequality and mobility perceptions in Mexico (team-based).
- Develop a structured view of industrial policy debates and contemporary constraints.
- Discuss the conflict between national industrial policies and trade.
- Understand new mechanisms that condition commercial access on compliance with labor rights.

Course structure

Block 1 (Weeks 1–3; Sessions 1–6): Perceptions of inequality and redistribution (Instructor: Aurora A. Ramírez Álvarez).

Block 2 (Weeks 4–6; Sessions 7–12): Industrial policy and trade (Instructor: Julen Berasaluce).

Assessment and deliverables

- Team survey instrument (7 core items + optional demographics) and short concept note (1–2 pages).
- Fielding plan (sampling, recruitment, ethics statement) and cleaned dataset.
- Final presentation (8–10 minutes per team) + 2-page memo with descriptive results and interpretation linked to course theories.

Core course materials

Block 1 is anchored in the Perceptions of Inequality module materials and the course book manuscript:

- Campos Vázquez, R. M., Krozer, A., & Ramírez Álvarez, A. A. (2026). Redistribución: cómo entendemos la desigualdad para lograr un nuevo pacto social. El Colegio de México.
- Module handout: “Perceptions of Inequality and Their Consequences (Mexico)”
- Benchmark items from ISSP / WVS / Latinobarómetro (provided in class).

Block 2 focuses on industrial policy and trade. A comprehensive and up-to-date reference discussing these topics (and some others) can be found in:

- Besley, T., Bucelli, I. and Velasco, A. “The London Consensus. Economic Principles for the 21st century”. LSE Press

Schedule (12 class meetings)

Week 1-Session 1: Models of redistribution and the role of beliefs

Focus: Classical political-economy models (Median Voter, Meltzer–Richard, POUM) and why perceptions of fairness, mobility, and trust matter for redistribution and tax legitimacy.

In-class activity:

- Concept map: link each model’s prediction to (i) mobility beliefs, (ii) fairness/deservingness, (iii) trust in government.

Required readings:

- Alesina, A. & Glaeser, E. (2004). Fighting Poverty in the US and Europe.
- Alesina, A., Stantcheva, S. & Teso, E. (2018). “Intergenerational mobility and preferences for redistribution.” American Economic Review.
- Course book manuscript (Campos Vázquez, Krozer, & Ramírez Álvarez, 2026): “Introduction” + “How are perceptions measured and why do they matter?” (selected sections).

Recommended:

- Meltzer, A. & Richard, S. (1981). "A rational theory of the size of government." Journal of Political Economy.
- Benabou, R. & Ok, E. (2001). "Social mobility and the demand for redistribution: The POUM hypothesis." Quarterly Journal of Economics.

Week 1 -Session 2: Measuring inequality perceptions (and systematic misperceptions)

Focus: Survey measurement: what is being measured; common biases; cross-country comparability; why perceived inequality can diverge from objective indicators.

In-class activity:

- Short exercise: compare objective inequality indicators (conceptually) to what a typical respondent may infer; discuss measurement choices.

Required readings:

- Gimpelson, V. & Treisman, D. (2018). "Misperceiving inequality." Economics & Politics.
- Cruces, G., Perez-Truglia, R. & Tetaz, M. (2013). "Biased perceptions of income distribution and preferences for redistribution." Journal of Public Economics.
- Course book manuscript (Campos Vázquez, Krozer, & Ramírez Álvarez, 2026): "Data used in the literature" + "Literature review" (selected sections).

Recommended:

- Kuziemko, I., Norton, M., Saez, E. & Stantcheva, S. (2015). "How elastic are preferences for redistribution?" American Economic Review.
- Luttmer, E. (2001). "Group loyalty and the taste for redistribution." Journal of Political Economy.

Week 2- Session 3: Fairness, deservingness, narratives, and tax legitimacy

Focus: How beliefs about meritocracy and deservingness shape redistribution preferences; narrative channels; why tax morale and trust mediate willingness to pay.

In-class activity:

- Discussion: distinguish (i) inequality concern, (ii) redistribution demand, and (iii) willingness to pay—what breaks the chain?

Required readings:

- Benabou, R. & Tirole, J. (2006). "Belief in a just world and redistributive politics." Quarterly Journal of Economics.
- Luttmer, E. & Singhal, M. (2014). "Tax morale." Journal of Economic Perspectives.

- Course book manuscript (Campos Vázquez, Krozer, & Ramírez Álvarez, 2026): “Taxes” (selected sections: why perceptions of taxes matter; how people think taxes should rise).

Recommended:

- Piketty, T. (1995). “Social mobility and redistributive politics.” Quarterly Journal of Economics.
- Stantcheva, Stefanie. (2021). “Understanding Tax Policy: How Do People Reason?” The Quarterly Journal of Economics, 136(4), 2309–2369.
- Stantcheva, Stefanie. (2021). Perceptions and Preferences for Redistribution. CEPR Discussion Paper No. DP16638 (October 2021).
- Hvidberg, Kristoffer B., Kreiner, Claus T., & Stantcheva, Stefanie. (2021). Social Position and Fairness Views on Inequality. CEPR Discussion Paper No. DP15877.
- Stantcheva, Stefanie. (2022). How to Run Surveys: A Guide to Creating Your Own Identifying Variation and Revealing the Invisible. NBER Working Paper No. 30527.

Week 2-Session 4: Workshop I: survey design and benchmarking (team-based)

Focus: Translate theory into a short instrument: item writing, Likert scales, avoiding double-barreled wording, and benchmarking to ISSP/WVS/Latinobarómetro for comparability.

In-class activity:

- Teams draft 7 core items (inequality perceptions, mobility beliefs, fairness/deservingness, trust, redistribution/tax attitudes) + 2 optional demographics; peer critique across teams.

Required readings:

- Course book manuscript (Campos Vázquez, Krozer, & Ramírez Álvarez, 2026): “How are perceptions measured...?” (measurement sections)
- Examples of items from ISSP/WVS/Latinobarómetro (provided in class).

Week 3-Session 5: Mexico: inequality, mobility, and the fiscal-social contract

Focus: Evidence for Mexico: objective inequality and mobility, perceived inequality/mobility, and how perceptions relate to taxes, trust, and values.

In-class activity:

- Mini-lecture + discussion: What are the dominant 'stories' about inequality in Mexico, and what do they imply for policy feasibility?

Required readings:

- Course book manuscript (Campos Vázquez, Krozer, & Ramírez Álvarez, 2026): "Inequality and social mobility" (selected sections: Mexico inequality; Mexico mobility; perceptions in Mexico).
- Course book manuscript (Campos Vázquez, Krozer, & Ramírez Álvarez, 2026): "The values of Mexican society" (selected sections: measuring values; Mexico in international comparison).
- Gaviria, A. (2008). "Social mobility and preferences for redistribution in Latin America." *Economía*.

Week 3-Session 6: Student presentations – survey results and theory linkages

Focus: Student presentations of survey results and explicit linkage to course theories (mobility beliefs, fairness/deservingness, trust, and redistribution).

In-class activity:

- Team presentations (8–10 minutes + 3–5 minutes Q&A). Each team should: describe the sample and instrument, report key descriptive results, highlight at least one heterogeneity pattern, and interpret results through one or two theoretical lenses from Sessions 1–5.

Week 4 (Sessions 7 and 8). Industrial policy, the rationale for state intervention in productive transformation and its constraints

- Andreoni, A., & Chang, H. J. (2019). The political economy of industrial policy: Structural interdependencies, policy alignment and conflict management. *Structural change and economic dynamics*, 48, 136-150.
- Cramer, C., Tregenna, F., 2020. Heterodox Approaches to Industrial Policy and the Implications for Industrial Hubs, in: Oqubay, A., Lin, J.Y. (Eds.), *The Oxford Handbook of Industrial Hubs and Economic Development*. Oxford University Press, p. 0. <https://doi.org/10.1093/oxfordhb/9780198850434.013.3>
- Cramer, C., Sender, J., Oqubay, A., 2020. Investment, Wage Goods, and Industrial Policy, in: Cramer, C., Sender, J., Oqubay, A. (Eds.), *African Economic Development: Evidence, Theory, Policy*. Oxford University Press, p. 0. <https://doi.org/10.1093/oso/9780198832331.003.0004>
- Lin, J., Chang, H., 2009. Should Industrial Policy in Developing Countries Conform to Comparative Advantage or Defy it? A Debate Between Justin Lin and Ha-Joon

Chang. Dev. Policy Rev. 27, 483–502. <https://doi.org/10.1111/j.1467-7679.2009.00456.x>

- Robinson, J. A. (2009). Industrial policy and development: A political economy perspective. Washington, DC: The World Bank.
- Wade, R.H., 2018. The Developmental State: Dead or Alive? Dev. Change 49, 518–546. <https://doi.org/10.1111/dech.12381>

Week 5 (Sessions 9 and 10). International trade and labor: The RRLM case

- Claussen, K. and C.P. Bown (2024) Corporate Accountability by Treaty: The New North American Response Labor Mechanism, American Journal of International Law, 118(1).
- Rangel, D. (2024). Trade and Labor a la Latina. A South-Perspective of Firm-Specific Labor Enforcement Mechanisms in Trade Agreements, LAPEG Paper
- Santos, A. (2022). Effective and Reciprocal Labor Enforcement Should Be a Priority for an Inclusive USMCA and North America. Wilson Center Working Paper

Week 6. (Session 11) International integration and Rodrik's trilemma

- Rodrik, D. 2000. How far will international economic integration go? Journal of economic perspectives, 14(1), 177-186.
- Rodrik, D. 2002. Feasible Globalizations. NBER Working Paper 9129.

Week 6. (Session 12). Exports, economic growth and the alternatives for Mexico.

- Gantz, D.A. and T. Payan (2025). Strategic Priorities for the 2026 USMCA Review
- Hausmann, R. (2025) Export-led growth. In T. Besley, I. Bucelli and A. Velasco "The London Consensus. Economic Principles for the 21st century". LSE Press
- Noyola, P. and J. Serra-Puche (2025) A Case for a North American Common Tariff. Wilson Center. <https://www.wilsoncenter.org/publication/case-north-american-common-tariff>