Activity: Introduction to Public Economics
Econ 308

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Dani Rodrik and Stefanie Stantcheva (2021) begin their recent working paper as follows:

> One of the biggest challenges that countries face today is the very unequal distributions of opportunities, resources, income and wealth across people. Inclusive prosperity — whereby many people from different backgrounds can benefit from economic growth, new technologies, and the fruits of globalization — remains elusive. To address these issues, societies face choices among many different policies and institutional arrangements to try to ensure a proper supply of productive jobs and activities, as well as access to education, financial means, and other endowments that prepare individuals for their participation in the economy. In this paper we offer a simple, organizing framework to think about policies for inclusive prosperity.

1. This framework is illustrated with the 3x3 matrix below. Where might the following public policies fit in this matrix?

   (a) cash transfers to low income people

   (b) estate/inheritance taxation (based on estate of deceased)

   (c) healthcare; primary education

   (d) minimum wage; apprenticeships

   (e) on-the-job training; labor laws; protectionist trade policy

   (f) progressive income taxation; wealth taxes; corporate taxes

   (g) public higher education

   (h) R&D tax credits; antitrust policy

   (i) social insurance (e.g., unemployment insurance, disability insurance, Social Security)

   (j) universal basic income

		At what stage of the economy does policy intervene?		
		Pre-Production Stage: shape the endowments with which people enter the workforce	**Production Stage:** shape the employment, investment, and innovation decisions of firms	**Post-Production Stage:** redistribute income and wealth after they have been realized
Which income group is the target of the policy?	**Bottom**	©	ⓓ	ⓐ ⓕ ⓘ ⓙ
	Middle	© ⓖ	ⓓ ⓔ	ⓕ ⓘ ⓙ
	Top	©	ⓗ	ⓑ ⓕ ⓘ ⓙ

2. At which stage do you think it is most important for policy to intervene? Why?

   Pre-Production: helps to equalize endowments to equalize opportunity