



Abstract: We suggest that as social cohesion improves, the macroeconomic gains from progressive redistribution decline. Social interactions facilitate diffusion of nonrival knowledge. The consequent bridging of the knowledge gaps makes learning cheaper for children with limited access to adults with high human capital and thereby lowers the optimal progressivity for a redistributive policy. If social cohesion exceeds a critical threshold then zero progressivity would be optimal. Numerically, a country with greater social cohesion find less gains in growth, efficiency and welfare from progressive redistribution over and above the gains from a Pigouvian subsidy that eliminates the inefficiency caused by knowledge externalities.

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Social Cohesion and Optimal Redistribution in Economies with Long-Run Growth.

Department of Economics
Visiting Speaker: Dr. Xueli Tang

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Arts & Admin Bldg. Rm. A 2071

This event is open to the Public
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Dr. Xueli Tang received his PhD from the University of Auckland, New Zealand. His research revolves mainly around income inequality, fiscal policy, economic growth and social security. This line of research has been published exclusively in peer-reviewed, internationally highly ranked journals, e.g., *Econometrica*, *International Economic Review*, *Journal of Economic Growth*, *Journal of Economic Behavior and Organization*, etc.

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