

ECON 210A

Lecture Notes—2/25/09

The standard mode of discourse in economics is positive-sum win-win Pareto-optimality. You provide people with the right incentives through property rights to invest and accumulate and they do so—and the benefits of their investment and accumulation spill over and produce higher incomes for everybody else as well. You provide people with secure contract rights and they trade what they personally value less for what they personally value more—redistributing the goods of society across individuals until the Pareto frontier is reached. You incentivize people through property rights to be good stewards of natural resources, and they are.

But a look back at human history suggests that this focus is perhaps misplaced. Much of human economic and political history looks as though it is made up of thugs with spears (or kalishnikovs) taking stuff; or those who can for some reason command the services of thugs with spears taking stuff; or those who can for some reason command the services of thugs with spears threatening others so inducing them to enter into contracts on unfavorable terms. Slavery. Serfdom. Debt peonage. Latifundia. Land barons. Cattle barons. Capital barons. Perhaps economics should focus not on Pareto-optimal exchange equilibria and economic growth but instead on distribution: perhaps economics should be not a hymn to the win-win bounties of the division of labor but instead a discourse on the origins (and maintenance) of inequality.

That is what this week is: Evsey Domar with an abstract paper on slavery, serfdom, and land barons; Austen and Smith on commercial consumer capitalism as the driving energy of the genocide that was the North Atlantic slave trade; Marx and Engels saying that the market economy of Pareto-improving exchange of which economists sing is, really, nothing new; and Engerman and Sokoloff on the long-run consequences of redistributive-based rather than gains from trade-based political economy.

This is inequality week.