

Inequality-aware Market Design Seminar Series

Raghav Malhotra: Rethinking Distribution: Introducing Market Segmentation as a Policy Instrument

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Details

When: 5 Oct 2022 @ 17:00 GMT+2

Where: GRAPE

Speaker this week

[Raghav Malhotra ↗](#)

University of Warwick

Raghav Malhotra is a PhD student at the University of Warwick in Coventry.

Abstract: Inequality and skewed distribution of ‘essential’ goods are pertinent problems in the 21st-century world. We consider a general equilibrium framework with a division between essential and non-essentials, and only essential goods are relevant for distributional concerns. We then compare the effects of four policies on social welfare: subsidies, direct transfers, quantity rationing, and a fourth policy that we introduce and call Market Segmentation (MS). In MS, the market for essentials is segmented from non-essentials, i.e., they are not freely tradeable with each other. We find that if the relative number of low-income individuals in the economy is large and “essentials” are consumed in-elastically, MS outperforms direct transfers and subsidies. MS also weakly dominates quantity rationing. We discuss how market segmentation can help policymakers deal with issues such as automation and the superstar phenomenon (Scheuer and Werning, 2017). Find the paper [here ↗](#).

Should you have any queries please contact the seminar organizers at IMD@grape.org.pl.



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