Those Who Can’t Sort, Steal: Caste, Occupational Mobility, and Rent-Seeking in Rural India

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Abstract

This paper is concerned with three important features of modern India: rent-seeking, occupational immobility, and caste. We argue that these features are related in an important way. We present novel stylized facts from the 2012 round of the India Human Development Survey, using a unique question on household practices of untouchability as an indicator for the local strength of caste: we find that villages where caste is more important feature less occupational mobility and more rent-seeking. The second part of our paper provides a new model to explain our empirical findings, in which castes are associated with occupations, and some individuals who want to switch occupations do it to find an easier source of rents rather than for productive reasons. This generates a lack of trust between castes, and shuts down occupational mobility, which can lead to even more rent-seeking due to an inability of low-skill individuals to sort into occupations that fit their talents. We also consider several extensions and policy implications: we show that our model predicts that this problem will be especially severe in a geographically dense and integrated country such as India, where it is easy to interact with other castes, and we suggest a form of redistribution as a possible solution to the problem.

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