

Inequality
The Political Economy of U.S. Income Inequality
01:220:120, 01:790:120

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What accounts for the striking increase of economic inequality over the past four decades in the United States? Does it have parallels in earlier times or in other advanced countries? Has political inequality increased too? What do we mean by economic or political inequality? Do Americans care about growing inequality? Should they? If they do, what might we do to reduce inequality?

After an initial look at how we measure economic inequality, we will examine the evidence of its increase and set it in international context. We then embark on a non-technical tour of some leading economic hypotheses for the rise in inequality, ranging from immigration and globalization to superstars and winner-take-all markets. Only part of our answer can be found here, for as Edward Tufte has observed, “economic life vibrates with the rhythm of politics.” Does the degree of inequality vary systematically with which political party is in power? It turns out that it does, and we will look into why this surprising pattern persists and how it raises income inequality. Party politics is hardly the whole story, though. We will also explore differences between rich and poor in voting power, political voice and participation—and whether these differences matter in the extent to which average citizens or elites get their way in the making of public policy. Our path toward answering these questions touches on many disciplines in the arts and sciences, including anthropology, economics, history, philosophy, political science, psychology, and sociology.

Required Purchases (available in the Rutgers University Bookstore):

Larry M. Bartels, *Unequal Democracy: The Political Economy of the New Gilded Age*, Second Edition, Russell Sage Foundation and Princeton University Press, 2016 (hardcover; ISBN-13: 978-0691172842)

James J. Heckman, *Giving Kids a Fair Chance*, Boston Review Books/MIT Press, 2017 (paperback; ISBN-13: 978-0262535052)

Timothy Noah, *The Great Divergence: America's Growing Inequality Crisis and What We Can Do About It*, Bloomsbury Press, 2012 (paperback; ISBN-13: 978-1608196357)

iClicker classroom response system transmitter (iClicker, iClicker+, or iClicker2). No other brand will work.

Important Course Information:

I count on you to attend all classes. If you expect to miss one or two classes because of illness or a family emergency, please use the University absence reporting website <https://sims.rutgers.edu/ssra/> to indicate the date and reason for your absence from class. That system automatically sends an email to me.

I request that you arrive on time and remain present, seated, and engaged in the classroom until I conclude. Do

not wander in and out of the classroom. Please silence and stow out of sight your cell phones for the duration of the class period. You may not use a laptop or tablet in class.

Official announcements

Official announcements about this class will appear *only* on the class Sakai site. In the very unlikely event that we must cancel a lecture or recitation meeting, you will receive an emailed announcement that you should confirm on the Sakai site. Ignore all notes posted in or near classrooms claiming that our class has been moved or cancelled. Posting such bogus announcements has become a commonplace but tiresome campus prank in the last couple of years.

Core Curriculum Goals met by this course: Contemporary Challenges [CC], Social Analysis [SCL]

Components of Your Grade

Each of the two hour exams counts 15 percent in your grade, while the final counts 35 percent. The longer and shorter papers will count 15 and five percent, respectively. Five percent of your grade will be based on your reviews of two of your classmates' longer papers. Five percent will be based on your responses to in-class clicker questions, The remaining five percent will be based on your participation in recitation-section discussions. **If you do not submit a draft and complete satisfactory peer reviews in a timely way, you may not submit a final draft and will not receive credit for the paper.**

Comparative paper (Draft due March 7, peer reviews due March 21, final version due April 2)

Choose an economically advanced country other than the United States. How does the growth of income inequality in your country compare with that of the United States over the past four or five decades? Be precise and quantitative. Have the various economic and political forces we have studied in the U.S. context played out differently in your country? What differences are the most important? Do other factors not operating in the U.S. case play a significant role in the evolution of inequality in your country?

Your paper will be evaluated according to the following rubric:

	5	4	3	1 or 2
Argument and analysis	Makes clear and compelling argument. Solid reasoning. Offers insightful analysis	Makes clear argument, based on plausible readings. Some effort to sustain argument throughout the analysis.	Attempts to offer a cogent argument and analysis, but argument and analysis are based on faulty reasoning.	Fails to make a cogent argument or to offer sound analysis.
Writing and grammar	Writes well, making appropriate word choices and avoiding grammar and spelling mistakes.	Writes well, but may include a handful of grammar, spelling, or word choice mistakes.	Makes multiple errors, but still writes in a clearly intelligible manner.	Makes multiple errors that interfere substantially with comprehension.
Organization and structure	Presents clear, navigable structure with introduction, body, and conclusion. Provides reader with a "road map" of essay.	Offers clear organization with some road map for reader.	Makes some effort to structure the paper, but organization is problematic or difficult to follow.	Structures the paper in a way that is disorganized and difficult or impossible to follow.
Mastery and use of readings	Uses multiple readings and demonstrates mastery of facts and arguments made in readings.	References multiple readings and demonstrates a good degree of understanding.	Makes minimal use of readings and/or fails to demonstrate adequate mastery of readings.	Fails to use readings

This paper's length should be six to eight double-spaced pages of text. This range does not include the references or any graphics you incorporate. Although we specify no format for the references, you **must** include full attribution of your sources, in accordance with the requirements of the Rutgers University Academic Integrity Policy (<http://academicintegrity.rutgers.edu/academic-integrity-policy/>). It is extremely important that you read this policy carefully before you begin to write.

Please choose a descriptive title for your paper but do NOT include your name anywhere in your submitted draft because it will be anonymously reviewed by two of your classmates. You will submit your draft electronically, so we will know perfectly well who you are. Please pay careful attention to the rubric. In particular, make sure that your paper is clearly organized and has an introduction and conclusion. Along the way, make sure to advance an argument or thesis in the introduction and then defend that argument through the body of the paper. Your mission is not simply to describe various factors in the two countries chosen for comparison; you need to state clearly how these descriptions support your argument. Proofread carefully. One effective way to edit your work is to read it out loud.

A brief guide to inequality data sources for your paper

1. One comprehensive and easy to use source is the World Income Inequality Database (WIID) at <https://www.wider.unu.edu/project/wiid-world-income-inequality-database>.

The menu on the left side of the WIID page includes several useful links:

[Download the latest version](#) lets you download the full database in Excel format among others. It also links to a helpful user guide.

[Inequality visualization](#) allows you very easily to generate tables and graphs of inequality data for specific countries. You can plot the Gini coefficient for, say, Portugal over the whole range of years for which data exists or for any shorter period you might be interested in. Other data relevant to inequality (e.g., decile or quantile shares instead of Gini coefficients) can be plotted instead. You can export graphs of your country's inequality data in several forms—ready for inclusion in your papers. It's all *very* user friendly.

[Country documentation](#) links to very helpful short PDFs (a page or two, usually), one for each country in the database, of detailed information about the sources and definitions of each country's data.

[Frequently asked questions](#) may also be helpful.

2. The [OECD Income Distribution Database](#) offers a wide range of data on income-distribution relevant variables for most nations, not simply the OECD countries. The data available here are broader in coverage than the WIID, but sometimes takes a little digging. The site allows you to view or generate graphs of many variables that might turn out to be relevant in your essays. The search function in this site is quite helpful.

Shorter paper (due April 18)

The shorter paper (three to five double-spaced pages) addresses the following topic:

The limited time available in a single course prevents us from studying in greater depth many important aspects of inequality. Other significant dimensions receive no attention at all. This assignment invites you to explore the academic opportunities open to you as a Rutgers undergraduate to deepen or broaden your understanding of some particular aspect of the political economy of inequality. Using the New Brunswick Undergraduate Catalog and course descriptions on department and program websites, devise and defend a set

of courses that hold promise to help bring about such broadening and deepening of what you are learning in this course. These courses need not be related to majors or minors you are considering. They might simply enrich and complement your undergraduate education in some relevant but broader sense. Explain clearly the connections between the courses you propose and the issues we are studying in our class and, as appropriate, with your other academic work at Rutgers, past, present, and future as you currently envision it. The humanities, the social and behavioral sciences, the life sciences, and the mathematical and physical sciences are all fair game.

Provisional Schedule of Topics and Reading Assignments

	Topic	Readings
January 17	Overture	Declaration of Independence, 1776 , paragraph 2 http://www.ushistory.org/declaration/document/ R. Putnam, “The American Dream: Myths and Realities,” Chapter 1 of <i>Our Kids: The American Dream in Crisis</i> (2015), excerpt https://www.linkedin.com/pulse/american-dream-crisis-heres-how-i-know-robert-d-putnam Bartels, Chapter 1 (pp. 7-32 only)
January 22	Introduction to income; measuring income inequality: top quantiles; Gini coefficients and Lorenz curves	A. Sen, <i>On Economic Inequality</i> , Chapter 2, 24-31
January 23 Recitation 1	How cognitive science can improve your learning in this course (and elsewhere)	J. Dunlosky, “Strengthening the Student Toolbox: Study Strategies to Boost Learning,” <i>American Educator</i> , Fall 2013, 12-21 A. Putnam, V. Sungkhasettee, and H. Roediger, “Optimizing Learning in College: Tips From Cognitive Psychology,” <i>Perspectives on Psychological Science</i> 11 (2016): 652-660 “How to Study: Top 6 Effective Strategies,” (8:27) https://www.youtube.com/watch?v=CPxSzxylRCI C. May, “Students are Better Off without a Laptop in the Classroom,” <i>Scientific American</i> , July 2017
January 24	U.S. inequality in historical perspective	P. Lindert and J. Williamson, “American growth and inequality since 1700,” <i>VOX CEPR's Policy Portal</i> , June 16, 2016 C. Goldin and R. Margo, “The Great Compression: The Wage Structure in the United States at Mid-Century,” <i>Quarterly Journal of Economics</i> , Vol. 107, No. 1, (Feb., 1992), pp. 1-34 (selections)
January 29	Inequality in other advanced societies	“An Overview of Growing Income Inequalities in OECD Countries: Main Findings,” OECD, 2011
January 30 Recitation 2	Markets and wages	R. Frank and B. Bernanke, <i>Principles of Microeconomics</i> , 5 th edition, 333-336

January 31	Race, gender, family structure	T. Noah, Chapter 3 S. Kliff, The truth about the gender wage gap (http://www.vox.com/2016/8/1/12108126/gender-wage-gap-explained-real) Freakonomics podcast: " The True Story of the Gender Pay Gap "
February 5	Immigration	T. Noah, Chapter 4 G. Clark, "The American Dream Is an Illusion," <i>Foreign Affairs</i> , August 26, 2014 "Here's Everyone Who Immigrated to the U.S. Since 1820," http://metrocosm.com/animated-immigration-map/ M. Yglesias, "The Case for Immigration," <i>Vox</i> , September 3, 2017 https://www.vox.com/policy-and-politics/2017/4/3/14624918/the-case-for-immigration
February 6 Recitation 3	How do we know what we know? From Gregory King to Thomas Piketty	M. Owyang and H. Shell, "Measuring Trends in Income Inequality," <i>Regional Economist</i> , St. Louis Federal Reserve Bank, April 2016
February 7	Human capital, schooling, and technological change	C. Goldin and L. Katz, <i>The Race Between Education and Technology</i> , Introduction, pp. 1-8 D. Autor, "The Polarization of Job Opportunities in the US Labor Market: Implications for Employment and Earnings," Hamilton Project, 2010 "Artificial Intelligence, Automation, and the Economy," Executive Office of the President, December 2016
February 12	Globalization	T. Noah, Chapter 6 B. Milanovic, "Winners and Losers of Globalization," <i>World Post</i> , January 21, 2014, https://goo.gl/6uMYph
February 13 Recitation 4	The gains from trade and their potential—and actual—distribution	P. Neary, "The Stolper-Samuelson Theorem," 2004
February 14	Midterm 1	
February 19	The decline of labor unions; market power and markups	T. Noah, Chapter 8
February 20 Recitation 5	Superstars and winner-take-all markets	T. Noah, Chapter 9 E. Porter, "How Superstars' Pay Stifles Everyone Else." <i>New York Times</i> , Dec. 25, 2010, https://goo.gl/ro1sFZ

February 21	Finance	J. Stiglitz, <i>The Price of Inequality: How Today's Divided Society Endangers Our Future</i> , 2013, Chapter 3 “Rent Seeking and the Making of an Unequal Society” W. Lazonick, “Profits Without Prosperity,” <i>Harvard Business Review</i> , September 2014
February 26	Partisan differences in macroeconomic performance and accountability	L. Bartels, Chapter 2
February 27 Recitation 6	A closer look at fiscal policy and its effects under Ds and Rs	
February 28	Political business cycles and partisan biases in electoral accountability	L. Bartels, Chapter 3
March 5	Political economy of taxation	L. Bartels, Chapters 5, 6
March 6 Recitation 7	What is political inequality?	S. Verba, “Political Equality: What is it? Why do we want it?” Russell Sage Foundation, 2001, Part I, 1-22
March 7	Political inequality I: Malapportionment and voting power	S. Ansolabehere and J. Snyder, <i>The End of Inequality: One Person, One Vote and the Transformation of American Politics</i> , Chapter 1, “A Quiet Revolution,” 1-18 A. Prokop (ed.), “Gerrymandering Explained,” <i>Vox</i> , May 15, 2015, https://goo.gl/kUsGUF
March 10-18	Spring break	
March 19	Political inequality II: Differences in participation and voice	T. Noah, Chapter 7 K. Schlozman, Who Sings in the Heavenly Chorus?: The Shape of the Organized Interest System,” in Jeffrey Berry, ed., <i>The Oxford Handbook of American Political Parties and Interest Groups</i> (Oxford: Oxford University Press, 2010), chap. 22 J. Dunbar, “The ‘Citizens United’ decision and why it matters: Nonprofits or political parties?,” Center for Public Integrity, https://www.publicintegrity.org/2012/10/18/11527/citizens-united-decision-and-why-it-matters
March 20 Recitation 8	Campaign finance	A. Lioz, “ <i>Buckley v. Valeo</i> at 40,” <i>Demos</i> , 2015, 1-16 “Rethinking Campaign Finance: Toward a Pro-Democracy Jurisprudence,” Brennan Center for Justice, 2015

March 21	Political inequality III: Differences in substantive representation	<p>M. Gilens and B. Page, "Testing Theories of American Politics: Elites, Interest Groups, and Average Citizens," <i>Perspectives on Politics</i>, 12 (2014): 564-81 and their critics and their Vox rejoinder</p> <p>J. Cassidy, "Is America an Oligarchy?" <i>The New Yorker</i> April 18, 2014</p> <p>M. Gilens and B. Page, <i>Daily Show</i> interview, April 30, 2014, part 1, http://www.cc.com/video-clips/kj9zai/the-daily-show-with-jon-stewart-martin-gilens---benjamin-page, and part 2, http://www.cc.com/video-clips/o4gjz7/the-daily-show-with-jon-stewart-exclusive---martin-gilens---benjamin-page-extended-interview-pt--2</p> <p>M. Gilens and B. Page, response to critics, Monkey Cage, <i>Washington Post</i>, May 23, 2016</p>
March 26	Political inequality III: Differences in substantive representation, contd.	<p>L. Bartels, Chapter 8</p> <p>J. Hacker and P. Pierson, "Winner-Take-All Politics: Public Policy, Political Organization, and the Precipitous Rise of Top Incomes in the United States," <i>Politics and Society</i> 38 (2010): 152–204 (selections)</p>
March 27 Recitation 9	Review for midterm 2	
March 28	Midterm 2	
April 2	Do we care about economic inequality?	<p>S. Brosnan and F. de Waal, "Monkeys Reject Unequal Pay," <i>Nature</i> 425 (2003): 297-99</p> <p>F. de Waal, "Capuchin monkeys reject unequal pay," https://www.youtube.com/watch?v=lKhAd0Tyny0</p> <p>T. Noah, Chapter 10</p> <p>L. Bartels, Chapter 4</p>
April 3 Recitation 10	Correlated inequalities	<p>A. Case and A. Deaton, "Rising morbidity and mortality in midlife among white non-Hispanic Americans in the 21st century," <i>Proceedings of the National Academy of Sciences</i>, December 2015</p>
April 4	Arguments for limiting income inequality	<p>Plato, <i>Laws</i>, Book V (selection)</p> <p>Noah, Chapter 10</p> <p>R. Frank, <i>Success and Luck: Good Fortune and the Myth of Meritocracy</i>, Chapters 1 and 2, 1-39</p> <p>K-C Tan, "A Defense of Luck Egalitarianism," <i>Journal of Philosophy</i>, 2008, 665-690</p>
April 9	Arguments against limiting income inequality	<p>R. Epstein, "Three Cheers for Income Inequality," Hoover, 2011</p>

		<p>H. Boushey and C. Price, “How Are Economic Inequality and Growth Connected?,” Washington Center for Equitable Growth, 2014</p> <p>A. Berg and J. Ostry, “Equality and Efficiency: Is there a trade-off between the two or do they go hand in hand?” <i>Finance and Development</i>, September 2011</p>
April 10 Recitation 11	Do I need to help you if you didn’t wear a helmet?	Y. Mounk, “Responsibility Redefined,” <i>Democracy: A Journal of Ideas</i> , Winter 2017
April 11	Are social mobility and equality of opportunity substitutes for equality?	<p>Noah, Chapter 2</p> <p>G. Clark, “Social mobility barely exists but let’s not give up on equality,” <i>The Guardian</i>, 2015 https://www.theguardian.com/commentisfree/2015/feb/04/social-mobility-equality-class-society</p>
April 16	Universal basic income proposals	<p>Noah, Chapter 11</p> <p>K. Widerquist et al., “The Idea of an Unconditional Income for Everyone,” in K. Widerquist et al., editors, <i>Basic Income: An Anthology of Contemporary Research</i>, 2013, xi-xxi</p>
April 17 Recitation 12	Negative income taxes	
April 18	Tax reform	<p>K. Scheve and D. Stasavage, <i>Taxing the Rich</i>, Russell-Sage/Princeton, 2016, chapters 1, 9</p> <p>“Distributional Analysis of the Conference Agreement for the Tax Cuts and Jobs Act,” Tax Policy Center, December 22, 2017</p>
April 23	Minimum wage	<p>Bartels, Chapter 7</p> <p>H. Boushey, “Understanding How Raising the Federal Minimum Wage Affects Income Inequality and Economic Growth,” 2014 http://equitablegrowth.org/economic-stability/understanding-the-minimum-wage-and-income-inequality-and-economic-growth/</p>
April 24 Recitation 13	Predistribution policies I: early childhood education	J. Heckman, <i>Giving Kids a Fair Chance</i> , including responses and Heckman’s rejoinder
April 25	Predistribution policies II: Higher education	<p>C. Clotfelter, “The College Chasm: How market forces have made American higher education radically unequal,” <i>Harvard Magazine</i>, November-December 2017</p> <p>“Some Colleges Have More Students From the Top 1 Percent Than the Bottom 60. Find Yours.” https://www.nytimes.com/interactive/2017/01/18/upshot/some-colleges-have-more-students-from-the-top-1-percent-than-the-bottom-60.html</p>
April 30	Coda	B. Obama, “Remarks by the President on the Economy in Osawatomie, Kansas,” December 6, 2011
May 8	Final exam, 12 to 3 p.m.	