

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

revised 9/7/2017

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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 (i>Clicker, 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

21st Century Challenges [21C]

b. Analyze a contemporary global issue from a multidisciplinary perspective.

Social Analysis [SCL]

i. Explain and be able to assess the relationship among assumptions, method, evidence, arguments, and theory in social and historical analysis.

n. Apply concepts about human and social behavior to particular questions or situations.

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.

The longer paper (six to eight double-spaced pages) addresses the following topic:

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?

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 coherent and integrated 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.

Provisional Schedule of Topics and Reading Assignments

	Topic	Readings
September 6	Understanding the widening income gap	Bartels, Chapter 1 (pp. 7-32 only) Declaration of Independence, 1776
September 11	Introduction to income; measuring income inequality: top quantiles; Gini coefficients and Lorenz curves	
September 12 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=CPxSzxyIRCI
September 13	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
September 18	Inequality in other advanced societies	"An Overview of Growing Income Inequalities in OECD Countries: Main Findings," OECD, 2011
September 19 Recitation 2	Markets and wages	
September 20	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 "
September 25	Immigration	"Here's Everyone Who Immigrated to the U.S. Since 1820," http://metrocosm.com/animated-immigration-map/
September 26 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

September 27	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
October 2	Globalization	T. Noah, Chapter 6 B. Milanovic, "Winners and Losers of Globalization," <i>World Post</i> , January 21, 2014, https://goo.gl/6uMYph
October 3 Recitation 4		
October 4	Midterm 1	
October 9	The decline of labor unions; market power and markups	T. Noah, Chapter 8
October 10 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
October 11	Finance	W. Lazonick, "Profits Without Prosperity," <i>Harvard Business Review</i> , September 2014
October 16	Partisan differences in macroeconomic performance and accountability	L. Bartels, Chapter 2
October 17 Recitation 6		
October 18	Political business cycles and partisan biases in electoral accountability	L. Bartels, Chapter 3
October 23	Political economy of taxation	L. Bartels, Chapters 5, 6
October 24 Recitation 7	What is political inequality?	S. Verba, "Political Equality: What is it? Why do we want it?" Russell Sage Foundation, 2001
October 25	Political inequality I: Malapportionment and voting power	TBD

October 30	Political inequality II: Differences in participation and voice	<p>T. Noah, Chapter 7</p> <p>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</p> <p>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</p>
October 31 Recitation 8		
November 1	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, <i>Monkey Cage</i>, <i>Washington Post</i>, May 23, 2016</p>
November 6	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>
November 7 Recitation 9		
November 8	Midterm 2	
November 13	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>

November 14 Recitation 10	Correlated inequalities	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
November 15	Arguments for limiting income inequality	Plato, <i>Laws</i> , Book V (selection) Noah, Chapter 10
November 20	Is there a tradeoff between equality and efficiency?	R. Epstein, "Three Cheers for Income Inequality," Hoover, 2011 H. Boushey and C. Price, "How Are Economic Inequality and Growth Connected?," Washington Center for Equitable Growth, 2014 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
November 21	No recitation	
November 22	No lecture	
November 27	Are social mobility and equality of opportunity substitutes for equality?	Noah, Chapter 2 G. Clark, "The American Dream Is an Illusion," <i>Foreign Affairs</i> , August 26, 2014
November 28 Recitation 11	Negative income taxes	
November 29	Universal basic income proposals	Noah, Chapter 11 M. Ravallion, Straw men in the debate on basic income versus targeting, VOX CEPR's Policy Portal, May 2017
December 4	Tax reform	K. Scheve and D. Stasavage, <i>Taxing the Rich</i> , Russell-Sage/Princeton, 2016, chapters 1, 9
December 5 Recitation 12	Predistribution policies I: early childhood intervention	J. Heckman, <i>Giving Kids a Fair Chance</i>
December 6	Predistribution policies II: Higher education	"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
December 11	Economic and political mechanisms that may limit inequality	W. Clark, M. Golder, and S. Golder, <i>Principles of Comparative Politics</i> , chapter 9, pp. 331ff
December 12 Recitation 13		
December 13	Wrapup	
December 20	Final exam, 8 to 11 a.m.	