

IPEC 328: POLITICAL ECONOMY OF INEQUALITY AND REDISTRIBUTION

Charlotte Cavallé (cc1933@georgetown.edu)
School of Foreign Service - Georgetown University

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Time: M-W: 5-6.15 pm	Classroom: ICC 204B
Office hours: By appointment - see sign up sheet on Canvas	Office: ICC 504

1 Overview

1.1 Topics Addressed

This course examines the politics of income distribution and redistribution in the United States and other advanced democracies. It considers the effects of economic change, policies and institutions in creating or reducing inequality in advanced democracies, as well as the reciprocal effects of inequality on political activity, policy choices and western societies more generally. The course covers both seminal contributions to the study of (re)distribution as well as cutting-edge empirical work on the determinants and effects of inequality. We will cover questions such as:

- In most Western countries, why has labor income and wealth become more unequal over time?
- Why is this trend worse in some countries than in others?
- Why do some countries redistribute more than others?
- Does free trade increase income inequality?
- What explains differences across individuals and across countries in levels of support for redistributive social policies?
- What is the relationship between inequality, redistribution and economic growth?
- What are the social consequences of income inequality (if any)?

Many assigned readings focus on the situation in the United States, examining questions such as: Why is income inequality much higher in the United States than in other countries? Why is income redistribution less extensive? Is there a causal relationship between the observed increase in inequality on the one hand and growing political polarization in Congress on the other? This “American exception” will provide the backdrop for a critical examination of existing theories and evidence on the cause and consequences of high (low) income inequality and extensive (limited) income redistribution more generally. The readings’ emphasis on the United States is only for expository purposes. The American case is exceptional only in comparison to other advanced democracies and class lectures and discussion will put a strong emphasis on cross-country comparisons.

Please be aware that this course only covers post-industrial democracies (mostly Western Europe and North America). As a result, we will not cover the politics of inequality and redistribution in developing countries. Two other important topics did not make it into the final syllabus. One is the relationship between race and gender on the one hand and inequality and redistribution on the other. I will happily provide assistance to any student interested in writing about this issue in their final research paper. The second area of inquiry I had to drop examines the relationship between inequality, redistribution and economic growth. If you are interested in this issue I suggest you check the course

offering in the economics department.

The goal of this class is also to improve your understanding of theory development, theory testing and research design. Selected readings aim to give a broad overview of how research is done in the positivist social sciences. Some papers start with the independent variable and focus on identifying its causal effect (e.g. how does the type of neighborhood individuals live in affect their future income?). Researchers involved in that line of work focus on confirming (or refuting) that the relationships they unearth in the data is causal and not a statistical fluke. Other papers focus on the dependent variable (e.g. observed levels of inequality) and try to identify the bundle of factors that better explains (relative to another bundle of factors) why we observe variations on this outcome (e.g. why is inequality higher in the US than in continental Europe?). Researchers in that line of work are more likely to reason in terms of model fit: “how much of the observed variations in the world can my theory explain?”. Students will be introduced to the different “flavors” of research in the social sciences, each with its strengths and weaknesses.

1.2 Audience and Prerequisites

This course is an advanced undergraduate seminar in political economy. Political economy can be succinctly defined as the positive (i.e. data-centric) analysis of the relationship between the social sphere where wealth is created (a.k.a. the economy) and the social sphere where it is divided (a.k.a. politics). More recently, political economy has also been defined as the application of the tools of microeconomics (methodological individualism and formal theory) and econometrics (causal inference) to the study of politics. In spirit, this course is closer to the first definition of political economy. In practice, many readings abide by the second definition and a good understanding of the fundamentals of microeconomics is strongly recommended (ECON 101 or 103 and ECON 121). If you have never taken a microeconomics course, please talk to me at the end of the first class. Given the strong emphasis on data and design, prior exposure to statistical analysis is a requirement.

For students writing theses, this course will enable learning of research methods and identification of research topics. A better understanding of the challenges of theory testing and research design will also benefit students who do not plan to write a thesis. Indeed, real world problem solving, be it for a tech start-up or for a government administration, requires skills that are similar to the ones involved in research (e.g. problem formulation and re-formulation, finding the correct data to confirm diagnosis and pre-test available solutions, and most importantly, drawing the correct inference from observable empirical patterns).

1.3 Objectives

The overall objective of this course is to develop skills and acquire knowledge that will enable students to critically engage with public debates on income inequality, distribution and redistribution. Four types of skills will be emphasized:

Rewording. One goal of this course is to learn how to turn ubiquitous and overarching statements about inequality and redistribution into tractable research questions.

Describing. High quality description of what is going on is key: another goal of this seminar is to learn how to look for data on inequality and redistribution and how to critically evaluate this data. To what extent does the data successfully capture the phenomena being discussed? Can this data be used to make comparisons across countries and across time?

Theorizing. The third goal is to develop causal statements about the world: What does it mean to say that “inequality is harmful for society” (Wilkinson)? What are the causal mechanisms and causal pathways that pundits and researchers have in mind when they make such claims?

Testing. The fourth goal is to grapple with the challenges of theory testing. Can researchers find ways to test the causal statements they put forward in their research? Such causal statements are very hard to make and you will be encouraged to treat them with all the care and attention they deserve. Many times, substantive claims made in papers are not backed up by the empirical tests presented in these same papers. However, there is light at the end of the tunnel: researchers have deployed troves of ingenuity to try to provide reliable answers that can guide and improve the quality of public debate. You will also be encouraged to celebrate this ingenuity!

At the end of the course, students will have acquired:

- Substantive knowledge on inequality (definitions, empirical measures, differences in levels of inequality over time and across countries)
- Substantive knowledge on redistribution (a good understanding of the bundle of social policies that constitute the welfare state, differences across countries in the extent and nature of income redistribution)
- Theoretical knowledge on the key assumptions and workhorse models that guide political economy research on inequality and redistribution
- Familiarity with types of research design used by political economists
- A critical approach to empirical work on inequality and redistribution

2 Evaluation

2.1 Class participation (20 %)

One third of the class will be lectures, leaving about 2/3 for in-class discussion of the readings. Participation is extremely important. Students should speak several times during each session, and their contributions should be informed by the weekly readings. If in class participation is not your strength, please make an appointment to meet with me early on in the semester: we can work together to help you become more comfortable speaking up in a public setting.

To encourage participation, I strongly recommend that you take notes when you read the papers and that you bring your notes to class. When reading the assigned papers and preparing for class, you should have the following issues in mind:

- A parsimonious summary of the argument
- Contradictions and agreements between the readings
- Conceptual fit between the theory and the data
- The quality of the empirics
- Important methodological questions about the validity of the empirical claims made in the assigned papers.
- Policy implications, either explicit or implicit, of the readings. Under what conditions, if any, are those implications likely to apply? Under what conditions might these implications be obsolete?
- What are the assumptions implicitly made by the authors (e.g. assumptions about how politics work, who are immigrants, what politicians might want, etc...)? Do these assumptions differ across readings?

2.2 Country profiles (20 %)

Working in groups of 2, each student will be asked to compare and contrast levels of inequality, as well as trends in inequality in two countries (see list below). The profiles should have the following features:

- A clear description and justification of the type of inequality being considered (labor income, capital income...etc..)
- Only a handful of measures (e.g. the Gini, the P90/P10 ratio, the wage gap between different skill groups...etc..) and a justification of the decision to focus on these measures instead of relying on other measures (see the WSJ article by Stein assigned in week 1)
- An overview of data quality and comparability across countries and over time
- If possible, reliance on original data (see the Luxembourg Income Study Website)

You can find more information on this assignment on Canvas where I will provide a short reading list for each pair of countries as well as links to datasets (OECD, LIS, the top income inequality dataset...etc.). **Profiles are due by the end of week 8.**

Please pick one of the following pairs (if you are interested in a different pair of countries let me know):

- United Kingdom and the United States
- United States and Canada
- France and Germany
- Norway and Sweden
- Spain and France
- Italy and Germany

2.3 Three memos on three selected papers (20 %)

Each student will have to write a four-page (max) memo on three of the starred (**) readings. The memo should be 40-60 % summary (research question, empirical predictions, empirical test, findings and implications) and 60-40 % discussion (you can also include suggestions for improvements or next steps). Please submit the memo on the Sunday (midnight) preceding the week in which the paper is being read. Memos will be shared with other students through Canvas and can be used for class discussion.

2.4 Final paper (assigned essay question or research proposal) (40 %)

Those interested in developing their research skills have the option to submit a research proposal. Others will be asked to turn in an essay.

Research proposal. The proposal should identify why a given issue is important, articulate your central hypotheses or arguments, review the most salient academic literature, describe the type of evidence to be explored, suggest methods for its exploration, and speculate about likely findings and conclusions. It is due on the last day of reading period. The proposal should be 15 to 20 pages long (around 5,000-6,000 words, exclusive of references, tables, and figures). You should think of this assignment as a research project short of the actual field work or data analysis.

Essay. At the beginning of week 13, I will hand out two essay questions. You will be asked to answer one. Here is a set of possible essay questions (for illustrative purposes only):

- "Inequality is bad for the country's social fabric" (Robert Putnam). Please comment.
- According to basic assumptions in political economy, high income voters should oppose income redistribution. However, they don't. Why might that be?
- Why do some countries redistribute more than others?

3 Administrative details

Office Hours: Office hours are by appointment only. You can make an appointment using Canvas.

Emails: I only answer work-related emails after 7 pm. Emails should be limited to 1) setting up office hours outside of the weekly slots mentioned on Canvas, 2) emergencies. If you have questions regarding something *already mentioned in class* such as paper format or final paper due dates, please check the syllabus and the Canvas discussion board, or email your peers before emailing me.

Class website (Canvas): For issues and questions that might benefit everyone in the seminar, I strongly encourage you to use the website discussion forum. I will answer questions posted on the discussion board every day from Monday to Friday, before 9 am. I will check it once on Sunday around 2 pm.

Schedule overview and Important deadlines:

- *Week 1 (W 08/30)*. **Introduction**
- *Week 2 (M 09/04 [LABOR DAY] & W 09/06 & F 09/08 [MAKE UP SESSION])*. **(Labor) income inequality, human capital and the economic model**
Pick three papers you would like to write a memo on and send me this list in an email. Pick a partner to work on the country profiles with.
- *Week 3 (M 09/11 & W 09/13)*. **Explaining trends at the very top of the (labor) income distribution**
- *Week 4 (M 09/18 & W 09/20)*. **Moving beyond labor income and human capital: trends in wealth inequality**
- *Week 5 (M 09/25 & W 09/27)*. **Redistribution: concepts, measurement and stylized facts**
- *Week 6 (M 10/02 & W 10/04)*. **Inequality, politics and redistribution: workhorse models**
- *Week 7 (M 10/09 [COLUMBUS DAY] & W 10/11)*. **Solving the robin hood paradox (I): power and democracy in the United States (a)**
- *Week 8 (M 10/16 & W 10/18)*. **Solving the robin hood paradox (I): power and democracy in the United States (b)**
Country profiles are due.
- *Week 9 (M 10/23 & W 10/25)*. **An insurance approach to redistribution**
- *Week 10 (M 10/30 & W 11/01)*. **Solving the robin hood paradox (II): “Bad things tend to go together”**
- *Week 11 (M 11/06)*. **NO CLASS**
- *Week 11 (W 11/08)*. **Support for redistribution in the age of inequality (a)**
- *Week 12 (M 11/13)*. **Support for redistribution in the age of inequality (b)**
- *Week 12 (W 11/15)*. **Redistribution in ethnically diverse societies (a)**
- *Week 13 (M 11/20)*. **Redistribution in ethnically diverse societies (b)**
Essay topics are handed out.
- *Week 13 (W 11/22)*. **The consequences of inequality (I): inequality, redistribution and Democracy**
- *Week 14 (M 11/27 & W 11/29)*. **The consequences of inequality (II): inequality and individual decision-making**
- *Week 15 (M 12/04 & W 12/06)*. **The consequences of inequality (III): inequality and social mobility**
- *Week 16*. **End of reading period**
Turn in final paper (research paper or essay).

– **Week 1. Introduction**

This session will introduce the course. The readings below provide background for some of the claims made during lecture.

- Pennisi E., 2014, “Our Egalitarian Eden.”, *Science* 344 (6186), pages 824-825.
- Stein, Herbert. 1996. “The Income Inequality Debate.” *Wall Street Journal*, May 1996: A14.
- Mankiw G., 2014, “Defending the One Percent”, *Journal of Economic Perspectives*, Volume 27, Number 3, Summer, pages 2134.

– **Week 2. (Labor) income inequality, human capital and the economic model**

This week starts with economists’ lead explanation for the growth in wage inequality, namely skill-biased technological change (Goldin and Katz, Autor et al.). We then turn to the role of institutional factors (Levy and Temin). In his piece, Weil examines how big macro-economic forces such as technological change and globalization affects firm organization and ultimately wage-setting institutions (see Iversen and Soskice 2015, week 9 for an argument with a similar flavor).

- ** Goldin C. and Katz L., 2007, “Long-run Changes in the Wage Structure: Narrowing, Widening, Polarizing.” *Brookings Papers on Economic Activity* 2 (2007), 135-167.
- Autor D., Lawrence F. Katz and Melissa S. Kearney, 2008, “Trends in U.S. Wage Inequality: Revising the Revisionists”, *The Review of Economics and Statistics*, Vol. 90, No. 2 , pp. 300-323
- Levy F. and Peter Temin, 2007, “Inequality and Institutions in 20th Century America”, *NBER Working Paper* No. 13106.
- Weil D. 2017, “The fissured workplace” in Boushey et al (ed.), *After Piketty*, Harvard University Press.

– **Week 3. Explaining trends at the very top of the (labor) income distribution**

This week, we try to explain why far from being “ubiquitous, the growth in wage inequality is increasingly concentrated in the top end of the wage distribution. We focus on CEO pay and on wages in finance. The crux of the debate centers on whether CEOs and finance workers “deserve” their high wages.

- Kaplan S. and Joshua Rauh. 2013. “ Its the Market: The Broad-Based Rise in the Return to Top Talent”, *Journal of Economic Perspectives*, Volume 27, Number 3, Summer, pages 3556
- Bivens J. and Lawrence Mishel, 2013, “The Pay of corporate executives and financial professionals as evidence of rents in top 1 percent incomes”, *Journal of Economic Perspectives*, Volume 27, Number 3, Summer, pages 3556
- ** Bertrand M. and Sendil Mullainathan, 2001, “Are CEOs rewarded for luck? The ones without principles are”, *The Quarterly Journal of Economics*, August.
- ** Philippon T. and Ariel Reshef, 2012, “Wages and Human Capital in the U.S. Finance Industry: 1909-2006”, *Quarterly Journal of Economics*, November 2012, v. 127, iss. 4, pp. 1551-1609

– **Week 4. Moving beyond labor income and human capital: trends in wealth inequality**

Week 2 and 3 presented the “status quo” in inequality studies (at least in economics): inequality is mostly about labor income inequality, it can be tied to skill differences, only inequality that is unrelated to skill and effort is problematic. Thomas Piketty (backed by a team of researchers

among which the late Tony Atkinson from Oxford U and Emmanuel Saez at Berkely), has shaken this consensus by turning the attention to wealth and inheritance with his book *Capital in the 21st Century*. This week we examine Piketty et al.'s data and grapple with these important but complex concepts of wealth and inheritance. The Chetty et al piece is one way to think about how skills (here skill acquisition through education) and wealth (parents' income passed down through college tuition) intersect.

- Piketty T. and Gabriel Zucman 2015, “Wealth and Inheritance in the Long Run” in Atkinson et al (eds), *Handbook of Income Distribution*, 2nd edition, Elsevier B.V. pp 1304-1342 [try to get the gist of the measurement issue presented pages 1327-1334, no need to get into the details of the math.]
- Bonnet Odran, Pierre-Henri Bono, Guillaume Chapelle, Etienne Wasmer, 2014, “Does housing capital contribute to inequality? A comment on Thomas Piketty's *Capital in the 21st Century*.” *Sciences Po Economics Discussion Papers*, Discussion paper 2014-07.
- Saez E. and Gabriel Zucman 2016, “Wealth Inequality in the United States Since 1913: Evidence from Capitalized Income Tax Data”, *The Quarterly Journal of Economics* (2016), 519578.
- Chetty Raj, John N. Friedman, Emmanuel Saez, Nicholas Turner and Danny Yagan, 2017, “Mobility Report Cards: The Role of Colleges in Intergenerational Mobility”, downloaded from <http://www.equality-of-opportunity.org/documents/>.

– Week 5. Redistribution: concepts, measurement and stylized facts

This week, we unpack the concept of redistribution. We examine the bundle of redistributive policies that is the welfare state and how these bundles vary (Esping-Andersen, Howard). We compare and contrast visible and hidden policies (Howard), and discuss how some policies might be regressive in design but redistributive in outcome (Kato, Korpi and Palme).

- Esping-Andersen Gosta, 1990, *Three Worlds of Welfare Capitalism*, Princeton University Press, chs. 1-4.
- ** Korpi Walter and Joakim Palme, 1998, “The Paradox of Redistribution and Strategies of Equality: Welfare State Institutions, Inequality, and Poverty in the Western Countries”, *American Sociological Review*, Vol. 63, No. 5, pp. 661-687
- Howard C., 1999, *The Hidden Welfare State*. Princeton University Press. Chap 1.
- Kato, J., 2003. *Regressive taxation and the welfare state: path dependence and policy diffusion*. Cambridge University Press. Chap 2

– Week 6. Inequality, politics and redistribution: workhorse models and evidence

This week we are introduced to an important workhorse model used to study how inequality and redistribution interact (Meltzer and Richard). McCarty et al. is an example of how this model can be usefully and elegantly applied to study the rise in inequality in the US. This model is used to make two families of predictions: holding inequality constant, more democracy should lead to more redistribution. Holding democracy constant, more inequality should lead to more redistribution. This week, we focus on the first prediction (Scheve and Stasavage, Acemoglu et al.). Explaining why the latter prediction does not hold (at least in the US) will be the focus of week 7 through 12.

- Meltzer Allan H. and Scott. F. Richard, “Test of A Rational Theory of the Size of Government.” *Public Choice*, 41, 3, 403-418. [Focus on the argument and the model, do not read the empirical section.]
- ** McCarty Nolan, Poole Keith T., Rosenthal Howard, 2008, “Polarized America: The Dance of Ideology and Unequal Riches.” Chapter 3 and 4. The MIT Press.

- ** Scheve, K. and Stasavage, D., 2012. Democracy, war, and wealth: lessons from two centuries of inheritance taxation. *American Political Science Review*, 106(1), pp.81-102.
- Acemoglu, D., Naidu, S., Restrepo, P. and Robinson, J.A., 2013. Democracy, redistribution and inequality (No. w19746). *National Bureau of Economic Research*.
- **Week 7 and 8. Solving the robin hood paradox (I): power and democracy in the United States**

The readings examine whether the reason why there isn't more redistribution in the US today is that the American electoral system gives disproportionate political power to those who oppose redistribution. We examine the role of legislative gridlock (Voorheis et al., Skocpol and Hertel-fernandez) and responsiveness (Gilens, Campante, Carnes) and finish with a discussion of the intersection between geography and electoral rule (Rodden).

Week 7, Wednesday:

- ** Voorheis, J., McCarty, N. and Shor, B., 2015. "Unequal incomes, ideology and gridlock: How rising inequality increases political polarization." Working paper.
- Skocpol, T. and Hertel-Fernandez, A., 2016. "The Koch network and republican party extremism." *Perspectives on Politics*, 14(3), pp.681-699.

Week 8, Monday and Tuesday:

- ** Gilens, Martin. 2012. *Affluence and Influence: Economic Inequality and Political Power in America*. Princeton University Press. chap TBD
- ** Campante, F.R., 2011. "Redistribution in a model of voting and campaign contributions." *Journal of Public Economics*, 95(7), pp.646-656.
- Carnes, N., 2013. *White-collar government: The hidden role of class in economic policy making*. University of Chicago Press. chap TBD
- Rodden, J., 2010. "The geographic distribution of political preferences." *Annual Review of Political Science*, 13, pp.321-340.

Please check your notes from week 6, more specifically:

- Acemoglu, D., Naidu, S., Restrepo, P. and Robinson, J.A., 2013. Democracy, redistribution and inequality (No. w19746). *National Bureau of Economic Research*. Section 21.2.4
- McCarty Nolan, Poole Keith T., Rosenthal Howard, 2008, *Polarized America: The Dance of Ideology and Unequal Riches*. Chapter 4. The MIT Press.
- **Week 9. An insurance approach to redistribution**

The Meltzer and Richard model focuses on income redistribution. However, a good chunk of the welfare state is first and foremost about social insurance (even if with redistributive consequences). The readings this week examine the implications of an insurance approach for our understanding of inequality and redistribution.

- ** Karl Ove Moene and Michael Wallerstein, 2003, "Earnings Inequality and Welfare Spending: A Disaggregated Analysis" *World Politics*, Vol. 55, No. 4, pp. 485-516.
[If you are writing a memo on this paper, please read instead : Moene, K. O., & Wallerstein, M. (2001). Inequality, social insurance, and redistribution. *American Political Science Review*, 95(4), 859-874.]
- Atkinson, A.B., 1990, "Income maintenance for the unemployed in Britain and the response to high unemployment", *Ethics*, 3, 569-585.

- Ansell, B. 2014. The political economy of ownership: Housing markets and the welfare state. *American Political Science Review*, 108(2), 383-402.
- **Week 10. Solving the robin hood paradox (II): “Bad things tend to go together”**

This week we consider arguments that there are durable varieties of capitalism and ask what their implications are for the understanding of inequality. The first two readings describe these varieties of capitalism and their internal logic (Hall and Soskice, Estevez-Abe et al.). The second two readings examine the issue of change (Iversen and Soskice, Thelen and Palier).

- Hall, P.A. and David Soskice, 2001. *Varieties of capitalism: The institutional foundations of comparative advantage*. Oxford: Oxford University Press. Chap 1 and 2
- Estevez-Abe Margarita, Torben Iversen and David Soskice, 2001. “Social Protection and the Formation of Skills: A Reinterpretation of the Welfare State,” in Peter A. Hall and David Soskice, eds. *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*. Oxford: Oxford University Press, pp145-83.
- ** Iversen Torben and David Soskice, 2015, “Democratic Limits to Redistribution: Inclusionary versus Exclusionary Coalitions in the Knowledge Economy”, *World Politics*, 141
- Palier, B. and Thelen, K., 2010. “Institutionalizing dualism: Complementarities and change in France and Germany.” *Politics & Society*, 38(1), pp.119-148.

Please check your notes from week 6, more specifically:

- Esping-Andersen Gosta, 1990, *Three Worlds of Welfare Capitalism*, Princeton University Press, chs. 1-2.
- Korpi Walter and Joakim Palme, 1998, “The Paradox of Redistribution and Strategies of Equality: Welfare State Institutions, Inequality, and Poverty in the Western Countries”, *American Sociological Review*, Vol. 63, No. 5, pp. 661-687
- **Week 11 (Monday). NO CLASS**
- **Week 11 (Wednesday) and Week 12 (Monday). Support for redistribution in the age of inequality**

This week we examine the possibility that people do not want more redistribution. In the Wednesday class we examine two basic assumptions: a) voters are well informed about inequality and b) voters are rational and support policies that increase their income. In the Monday class we examine the role of a family of beliefs about fairness and deservingness.

Wednesday:

- ** Cruces, G., Perez-Truglia, R. and Tetaz, M., 2013. “Biased perceptions of income distribution and preferences for redistribution: Evidence from a survey experiment.” *Journal of Public Economics*, 98, pp.100-112.
- Bartels, L.M., 2005. “Homer gets a tax cut: Inequality and public policy in the American mind.” *Perspectives on Politics*, 3(1), pp.15-31.

Monday:

- Fong, C., 2001. “Social preferences, self-interest, and the demand for redistribution.” *Journal of Public Economics*, 82(2), pp.225-246.
- Benabou, R. and Tirole, J., 2006. “Belief in a just world and redistributive politics.” *The Quarterly journal of economics*, 121(2), pp.699-746.

- *Week 12 (Wednesday) and Week 13 (Monday). Redistribution in ethnically diverse societies*

We examine the claim that redistribution and ethnic diversity are incompatible because people do not want to help those who do not “look like them.” In the Wednesday class we ask if this argument can help explain why the US is a “welfare laggard.” In the Monday class, we turn our attention to Europe and ask if immigration undermines support for the welfare state. We focus on three channels: conditional altruism (Dahlberg et al.), identity and social status (Shayo) and two-dimensional politics. If you are interested in the argument made by Shayo, I strongly recommend you read: Lamont, M. 2009. *The dignity of working men: Morality and the boundaries of race, class, and immigration* (Harvard University Press).

Wednesday:

- Alesina, Alberto, and Edward L. Glaeser. 2004. *Fighting Poverty in the US and Europe: A World of Difference*. Oxford: Oxford University Press. Chap 6 pp 133-182
- Gilens, M., 2009. *Why Americans hate welfare: Race, media, and the politics of antipoverty policy*. University of Chicago Press. Chap 3 and 5

Monday:

- ** Dahlberg, Matz, Karin Edmark, and Helene Lundqvist. ”Ethnic diversity and preferences for redistribution.” *Journal of Political Economy* 120.1 (2012): 41-76.
- ** Shayo, Moses. 2012. “A Model of Social Identity with an Application to Political Economy: Nation, Class, and Redistribution.” *American Political Science Review* 103 (2):147-74.
- John Roemer, “Why the poor do not expropriate the rich: an old argument in new garb. *Journal of Public Economics* 70 (1998), 399-424. [**Read pp. 399-403 and 414-417 to get the intuition and results try to grasp the basic idea of the model**]

Please check your notes from week 6 and 11, more specifically:

- McCarty Nolan, Poole Keith T., Rosenthal Howard, 2008, “Polarized America: The Dance of Ideology and Unequal Riches.” Chapter 4. The MIT Press.
- Fong, C., 2001. “Social preferences, self-interest, and the demand for redistribution.” *Journal of Public Economics*, 82(2), pp.225-246.
- *Week 13 (Wednesday). The consequences of inequality (I): inequality, redistribution and Democracy*

This week, we start our inquiry on the political and social consequences of inequality. We first examine how inequality affects political institutions.

- Acemoglu, D. and Robinson, J.A., 2005. *Economic origins of dictatorship and democracy*. Cambridge University Press. Chap TBD
- Boix, C., 2003. *Democracy and redistribution*. Cambridge University Press. Chap TBD

Please check your notes from week 6, more specifically:

- Acemoglu, D., Naidu, S., Restrepo, P. and Robinson, J.A., 2013. Democracy, redistribution and inequality (No. w19746). *National Bureau of Economic Research*.

– **Week 14. The consequences of inequality (II): inequality and individual decision-making**

This week we examine how inequality affects individual decision making over what to consume and how much to work, as well as its effect on competitive behavior and cooperation.

- ** Bertrand, M. and Morse, A., 2016. Trickle-down consumption. *Review of Economics and Statistics*, 98(5), pp.863-879.
- Bowles, S. and Park, Y., 2005. Emulation, inequality, and work hours: Was Thorsten Veblen right?. *The Economic Journal*, 115(507).
- Loughnan, S., Kuppens, P., Allik, J., Balazs, K., De Lemus, S., Dumont, K., Gargurevich, R., Hidegkuti, I., Leidner, B., Matos, L. and Park, J., 2011. Economic inequality is linked to biased self-perception. *Psychological science*, 22(10), pp.1254-1258.
- ** Anderson, L.R., Mellor, J.M. and Milyo, J., 2008. Inequality and public good provision: An experimental analysis. *The Journal of Socio-Economics*, 37(3), pp.1010-1028.

– **Week 15. The consequences of inequality (III): inequality and social mobility**

We conclude with a discussion on the relationship between inequality and income mobility (Corak, Chetty et al.). Income mobility declines when it becomes harder to move out of poverty (Edin) and when it becomes harder to “fall out of wealth” (Ramey and Ramey).

- Miles Corak. 2013, “ Income Inequality, Equality of Opportunity, and Intergenerational Mobility.” *Journal of Economic Perspectives* . Vol 27, no 3., Summer 2013
- Chetty, R., Grusky, D., Hell, M., Hendren, N., Manduca, R. and Narang, J., 2017. “The fading American dream: Trends in absolute income mobility since 1940.” *Science*, 356(6336), pp.398-406.
- Ramey, G. and Ramey, V.A., 2009. “The rug rat race” (No. w15284). National Bureau of Economic Research.
- Edin, K. and Kefalas, M., 2011. Promises I can keep: Why poor women put motherhood before marriage. Univ of California Press. Chap TBD