

# The Politics of Economic Inequality in America

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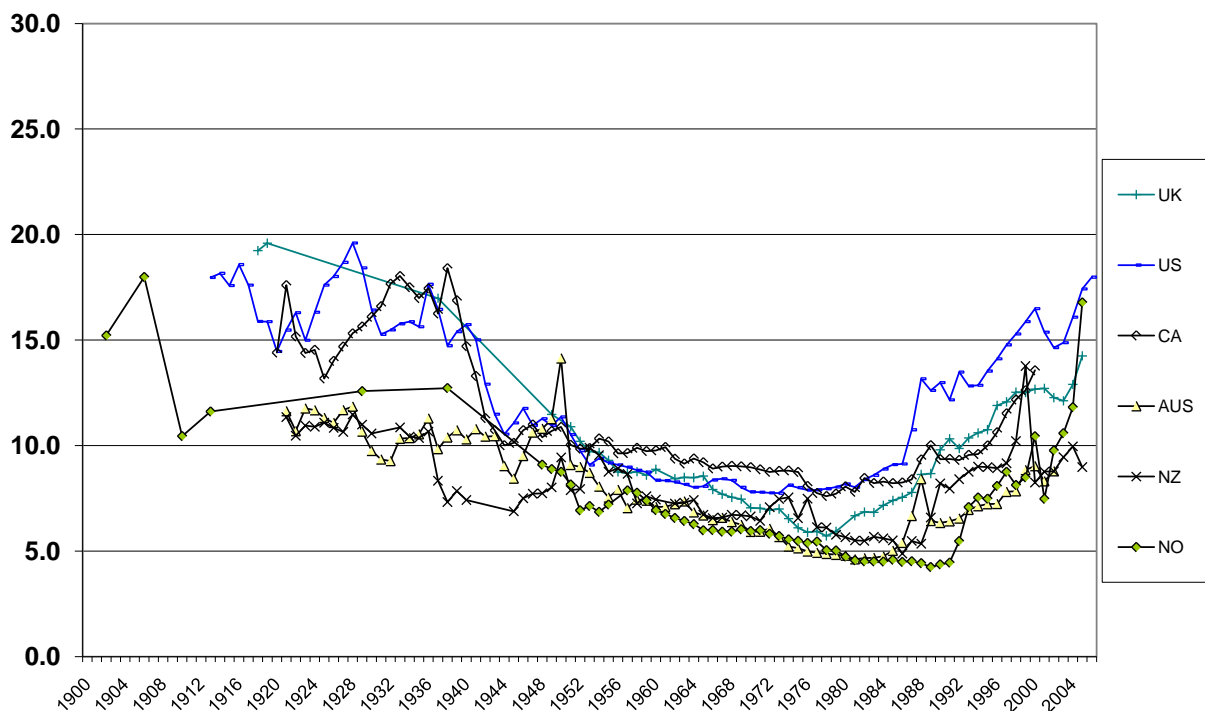
## *Overview*

Recent events such as the Occupy Wall Street movement or the rise of the Tea Party have brought redistributive issues at center of political debates in the United States. The healthcare reform represents a vast effort to pool resources and risk to the benefit of the least well-off. The extension of the Bush era tax cuts has been presented by President Obama as pitting the welfare of the middle class against that of the “one percent.”

This course offers an overview of the ways in which social sciences can help us understand the politics of income distribution and redistribution in America. More specifically, we will examine the nature, causes and consequences of the continuous growth in income inequality in the United States since the late 1970’s, with an eye to international comparison when helpful. The first part of the course will focus more specifically on the determinants of market and disposable income inequality. In the second part of the course, we will turn to the social, political and economic manifestations and consequences of income differences.

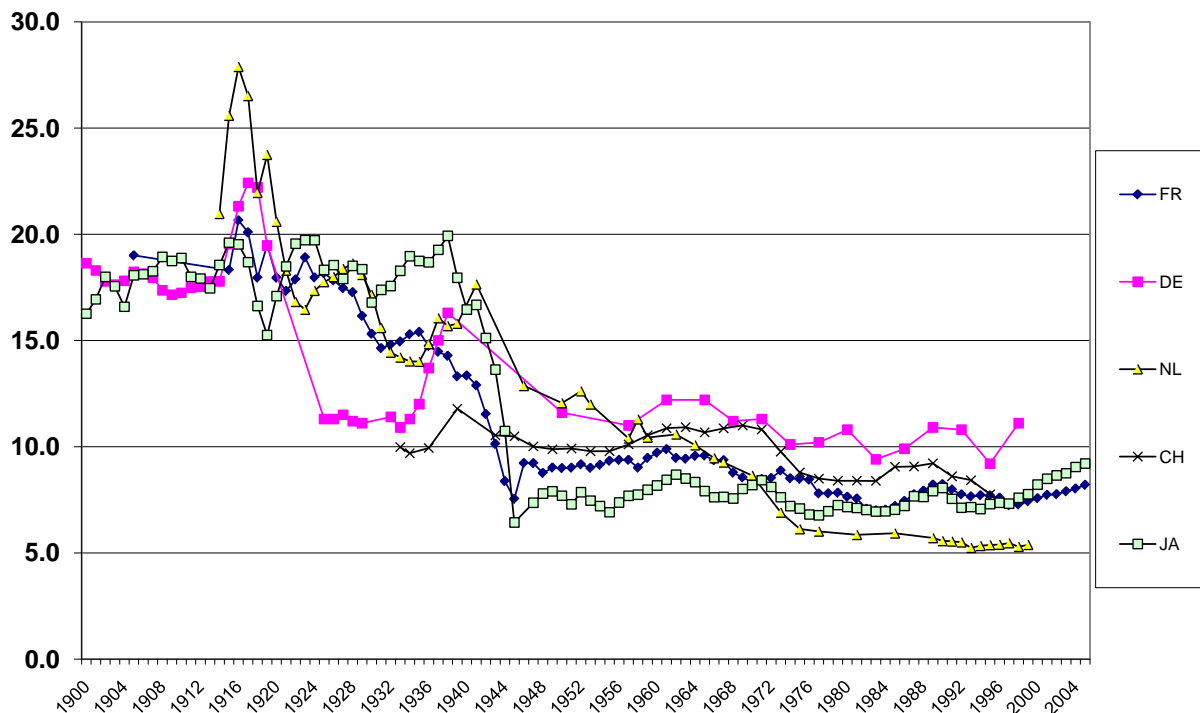
This course is suitable to advanced undergraduates. An introductory course in micro-economics is not a pre-requisite but highly recommended. We will meet twice a week for an hour each time.

Top 1% income share. English-speak countries & Norway



Data: Atkinson, Piketty and Saez (2012)

Top 1% income share. English-speak countries & Norway



Top 1% income share. Continental Europe & Japan

Data: Atkinson, Piketty and Saez (2012)

## Requirements

**Standard two-essay requirement:** The essays must highlight a problem, theory, or theme in the readings for one week (but with references to previous weeks where appropriate), and each essay should cover a different part of the course. Papers should be emailed to me in Word or PDF format by noon the day before class. See online syllabus for further instructions on how to write these papers.

**Optional 5-6000 word research paper** (can be substituted for the two-essays): Students who have developed a clear research idea that they would like to test empirically can substitute a research paper for the two-essay requirement. This is only advisable for students who intend to subsequently expand the paper into a senior thesis. The paper should address an important question or puzzle in the literature we read, setting out a theoretical argument to answer it, and test it using (in most cases) existing data and secondary literature. All research papers should be discussed with me in advance. The paper is due on the last day of classes.

**Take-home final.** This paper will be 9-10 pages and cover the materials for the entire class. There will be a choice of two essay questions. See online syllabus for additional information.

**Participation:** Since this course is a seminar, it is essential that students come prepared for class and participate. Note that I am much more interested in how you reason about ideas in the readings than in getting the right answers to factual questions. I may occasionally ask someone to introduce a reading for the following week.

**Honor rule/penalties:** Feel free to discuss any of the materials for class with each other, but all written work should be single-authored and written without help from others (see collaboration statement on website for details). Turning in late papers is unfair to others and will result in a grade penalty.

## *Reading List*

**NOTE:** Selected book chapters will be announced by email two weeks in advanced.

- Week 1. Empirical Trends
  - Session one:
    - A.B. Atkinson, T. Piketty, and E. Saez. Top incomes in the long run of history. National Bureau of Economic Research Cambridge, Mass., USA, 2009.
    - T. Lemieux. The changing nature of wage inequality. *Journal of Population Economics*, 21(1):21–48, 2008.
  - Session two:
    - Bruce Western, Deirdre Bloome, and Christine Percheski. Inequality among american families with children, 1975 to 2005. *American Sociological Review*, 73(6):903–920, 2008.
    - Andrea Brandolini and Timothy M Smeeding. Income inequality in richer and oecd countries. *The Oxford Handbook of Economic Inequality*, pages 71–100, 2009.
- Week 2. Human Capital and the Economic Model
  - Session one:
    - C.D. Goldin and L.F. Katz. *The race between education and technology*. Belknap Press, 2008.
    - James J Heckman. Skill formation and the economics of investing in disadvantaged children. *Science*, 312(5782):1900–1902, 2006.
  - Session two:
    - D.H. Autor, L.F. Katz, and M.S. Kearney. Trends in us wage inequality: revising the revisionists. *The Review of Economics and Statistics*, 90(2):300–323, 2008.
    - Robert H Frank and Philip J Cook. *The winner-take-all society: Why the few at the top get so much more than the rest of us*. Random House, 2010.
- Week 3. Explaining Income Differences Between the Middle and the Top: the Role of Finance.
  - Session one:
    - T. Philippon and A. Reshef. Skill biased financial development: education, wages and occupations in the US financial sector. *NBER Working Paper*, 2007.

- A. Deming-Kunt and R. Levine. Finance and inequality: theory and evidence. *NBER Working Paper*, 2009.
- Session two:
  - H. Callaghan and M. Hopner. European integration and the clash of capitalisms: Political cleavages over takeover liberalization. *Comparative European Politics*, 3(3):307–332, 2005.
  - L. Bebchuk and Y. Grinstein. The growth of executive pay. *Oxford review of economic policy*, 21(2):283, 2005.
  - Greta R Krippner. *Capitalizing on crisis: The political origins of the rise of finance*. Harvard University Press, 2011.
- Week 4. Explaining Income Differences Between the Middle and the Bottom: the Role of Labor Market Regulation and Wage Subsidies.
  - Session one
    - Barry Eichengreen. *The European economy since 1945: coordinated capitalism and beyond*. Princeton University Press, 2008.
    - Bruce Western and Jake Rosenfeld. Unions, norms, and the rise in us wage inequality. *American Sociological Review*, 76(4):513–537, 2011.
    - William Julius Wilson. *The truly disadvantaged: The inner city, the underclass, and public policy*. University of Chicago Press, 2012.
  - Session two
    - David Card and Alan B Krueger. Minimum wages and employment: a case study of the fast-food industry in new jersey and pennsylvania: reply. *The American Economic Review*, 90(5):1397–1420, 2000.
    - Christopher Howard. *The hidden welfare state*. Princeton University Press, 1999.
    - Bruce Western. *Punishment and inequality in America*. Russell Sage Foundation, 2006.
  - Have a look at the Equality of Opportunity website by Raj Chetty and colleagues: <http://www.equality-of-opportunity.org/>
- Week 5. Immigration and Race
  - Session one:
    - David Card. The impact of the mariel boatlift on the miami labor market. Technical report, National Bureau of Economic Research, 1989.
    - George J Borjas. *Heaven's door: Immigration policy and the American economy*. Princeton University Press, 2001.
  - Session two:
    - Nolan M McCarty, Keith T Poole, and Howard Rosenthal. *Polarized America: The dance of ideology and unequal riches*. mit Press Cambridge, 2006.
    - Alberto Alesina and Edward L Glaeser. *Fighting poverty in the US and Europe: A world of difference*. Oxford University Press Oxford, 2004.
    - John E Roemer, Woojin Lee, and Karine Van der Straeten. *Racism, Xenophobia, and Redistribution: Multi-Issue Politics in Advanced Democracies*. Harvard University Press, 2007.

- Week 6.
  - Session one: **Let's Stop and Think: Should We Care about Inequality in the First Place?**
    - W. Kopczuk, E. Saez, and J. Song. Earnings Inequality and Mobility in the United States: Evidence from Social Security Data since 1937\*. *Quarterly Journal of Economics*, 125(1):91–128, 2010.
    - Anders Björklund, Markus Jäntti, and John E Roemer. Equality of opportunity and the distribution of long-run income in sweden. *Social Choice and Welfare*, 39(2-3):675–696, 2012.
    - Martin Feldstein. Reducing poverty, not inequality. *Public Interest*, pages 33–41, 1999.
  - Session two: Americans, Inequality and Taxes
    - Thomas Piketty and Emmanuel Saez. Income inequality in the united states, 1913–1998. *The Quarterly Journal of Economics*, 118(1):1–41, 2003.
    - Andrea Louise Campbell and Kimberly J Morgan. Financing the welfare state: Elite politics and the decline of the social insurance model in america. *Studies in American Political Development*, 19(2):173, 2005.
    - Isaac William Martin. *The permanent tax revolt: How the property tax transformed American politics*. Cambridge Univ Press, 2008.
- Recommended:
  - Ilyana Kuziemko, Michael I Norton, Emmanuel Saez, and Stefanie Stantcheva. How elastic are preferences for redistribution? evidence from randomized survey experiments. Technical report, National Bureau of Economic Research, 2013.
- Week 7. Varieties of Capitalism, Varieties of Inequality
  - Session one
    - P.A. Hall and D.W Soskice. *Varieties of capitalism: The institutional foundations of comparative advantage*. Oxford University Press, 2001.
    - Gøsta Esping-Andersen. *The three worlds of welfare capitalism*, volume 6. Polity press Cambridge, 1990.
  - Session two
    - Michel Goyer. Varieties of institutional investors and national models of capitalism: The transformation of corporate governance in france and germany. *Politics & Society*, 34(3):399–430, 2006.
    - Bruce Western. *Between class and market: Postwar unionization in the capitalist democracies*. Cambridge Univ Press, 1997.
- Week 8 . The Role of Political Institutions
  - Session one:
    - Arend Lijphart. *Democracies: Patterns of majoritarian and consensus government in twenty-one countries*. Yale University Press New Haven, 1984.
    - Torben Iversen and David Soskice. Electoral institutions and the politics of coalitions: Why some democracies redistribute more than others. *American Political Science Review*, 100(2):165, 2006.

- Session two:
  - Alfred Stepan and Juan J Linz. Comparative perspectives on inequality and the quality of democracy in the united states. *Perspectives on Politics*, 9(04):841–856, 2011.
  - DA Soskice. American exceptionalism and comparative political economy. *The great unraveling: new labor market institutions and public policy responses*, pages 51–93, 2010.
- Week 9. Business Interests Groups
  - Session one:
    - Jacob S Hacker and Paul Pierson. *Winner-Take-All Politics: How Washington Made the Rich Richer—and Turned Its Back on the Middle Class*. Simon and Schuster, 2011.
    - Marek Naczyk. Feed the beast: Finance capitalism and pension privatization in europe. In *APSA Annual Meeting, Chicago IL*, 2013.
    - G. Menz. Are you being served? Europeanizing and re-regulating the single market in services. *Journal of European Public Policy*, 17(7):971–987, 2010.
  - Session two:
    - P. Culpepper. *Quiet politics: Business power and corporate control*. Cambridge University Press, 2010.
    - Stephen Ansolabehere, John M De Figueiredo, and James M Snyder. Why is there so little money in politics? Technical report, National Bureau of Economic Research, 2003.
    - Richard L Hall and Frank W Wayman. Buying time: Moneyed interests and the mobilization of bias in congressional committees. *The American Political Science Review*, pages 797–820, 1990.
- Week 10. The Political Effects of Income Inequality
  - Session one:
    - Martin Gilens. *Affluence and influence: Economic inequality and political power in America*. Princeton University Press, 2012.
    - Henry E Brady, Sidney Verba, and Kay Lehman Schlozman. Beyond ses: A resource model of political participation. *American Political Science Review*, pages 271–294, 1995.
    - Richard B Freeman. What, me vote? Technical report, National Bureau of Economic Research, 2003.
  - Session two:
    - N.M. McCarty, K.T. Poole, and H. Rosenthal. *Polarized America*. MIT Press, 2008.
    - Leah Boustan, Fernando Ferreira, Hernan Winkler, and Eric M Zolt. The effect of rising income inequality on taxation and public expenditures: Evidence from us municipalities and school districts, 1970-2000. *Review of Economics and Statistics*, (0), 2012.
- Week 11. **Let’s Stop and Think: the Economic Consequences of Redistribution.**

- Session one:
  - Sarah Voitchovsky. Inequality and economic growth. *The Oxford Handbook of Economic Inequality*, Oxford University Press, Oxford, 2009.
  - Olivier Blanchard and Justin Wolfers. The role of shocks and institutions in the rise of european unemployment: the aggregate evidence. *The Economic Journal*, 110(462):1–33, 2000.
  - Richard Blundell, Antoine Bozio, and Guy Laroque. Labor supply and the extensive margin. *The American Economic Review*, 101(3):482–486, 2011.
- Session two:
  - Lane Kenworthy. *Egalitarian capitalism: Jobs, incomes, and growth in affluent countries*. Russell Sage Foundation, 2007.
  - Benjamin B Lockwood, Charles G Nathanson, and E Glen Weyl. Taxation and the allocation of talent. Technical report, Mimeo, Harvard University and University of Chicago, 2012.
- Week 12. Inequality and Education
  - Session one:
    - Miles Corak. Income inequality, equality of opportunity, and intergenerational mobility. *Journal of Economic Perspectives*, 27(3):79–102, 2013.
    - Caroline M Hoxby. The changing selectivity of american colleges. Technical report, National Bureau of Economic Research, 2009.
  - Session two:
    - Suzanne Mettler. Graduating inequality: ppolarization, plutocracy and the demise of the american dream. Book manuscript.
    - Mitchell L Stevens. *Creating a class: College admissions and the education of elites*. Harvard University Press, 2009.
- Week 13. Inequality and Well-being
  - Session one: Health
    - John Lynch, George Davey Smith, Sam AM Harper, Marianne Hillemeier, Nancy Ross, George A Kaplan, and Michael Wolfson. Is income inequality a determinant of population health? part 1. a systematic review. *Milbank Quarterly*, 82(1):5–99, 2004.
    - Richard G Wilkinson and Kate E Pickett. Income inequality and social dysfunction. *Annual Review of Sociology*, 35:493–511, 2009.
  - Session two: Quality of Life
    - Pablo Fajnzlber, Daniel Lederman, and Norman Loayza. Inequality and violent crime. *JL & Econ.*, 45:1, 2002.
    - MC Berg and Ruut Veenhoven. Income inequality and happiness in 119 nations. In Bent Greve, editor, *Social Policy and Happiness in Europe*, pages 174–194. Edgar Cheltenham UK,, 2010.
    - R. Frank, A. Levine, and O. Dijk. Expenditure Cascades. *Working Papers*, 2010.

- Week 14. Experiences of Inequality
  - Session one : Life at the Top and life at the Bottom
    - Kathryn Edin and Maria Kefalas. *Promises I can keep: Why poor women put motherhood before marriage*. University of California Pr, 2011.
    - Chrystia Freeland. *Plutocrats: The New Golden Age*. Random House Digital, Inc., 2012.
  - Session two: Beyond income inequality : labor market dualization in Europe
    - Bruno Palier and Kathleen Thelen. Institutionalizing dualism: complementarities and change in france and germany. *Politics & Society*, 38(1):119–148, 2010.
    - Desmond King and David Rueda. Cheap labor: The new politics of’ bread and roses” in industrial democracies. *Perspectives on Politics*, pages 279–297, 2008.
- Week 15. Conclusion and Brainstorm session

No reading this week, come with suggestions about potential research ideas on the study of the causes and consequences of a change in the distribution of income. One way to go about this is to select three readings from this syllabus that you have found the most thought provoking, helpful and/or well-researched. Then thinks of ways of expanding them further.