Econ 333: Income Inequality & Policy Alternatives

Syllabus, Fall 2020

Day and Time:  M, W 2:30-3:45pm (EDT)
Location: Remote via zoom
Join Zoom Meeting: https://umass-amherst.zoom.us/j/99732502032?pwd=aW1EN1ExdEc3MEEdQjJtL3FuUklCZz09
Meeting ID: 997 3250 2032
Passcode: 860140

Instructor: Prof. Arindrajit “Arin” Dube
Office Hours: M 1:00-2:00pm
Remote via zoom at: https://umass-amherst.zoom.us/my/arindube

Contact info: adube@umass.edu

Description:
In this course, we will investigate how incomes are distributed in our society, why income inequality has risen so dramatically in recent years, and what public policy tools exist to counter inequality increases. The course will consider various normative approaches to answering the following question: should we care about inequality? This course will also introduce students to theoretical tools used by economist to understand the sources of inequality and will also show empirical evidence to better understand the changes in the wage distribution and, more generally, in the income distribution. We will pay special attention to concrete policy tools such as income and wealth taxation, safety net programs, and minimum wage standards.

Prerequisite: Students interested in enrolling in this course must have successfully completed a course in Intermediate Microeconomics.

Readings:
Much of the readings for the course will be journal articles, essays, and excerpts from chapters, which will be posted on MOODLE.

We will use portions of free, online textbook Economics for a Changing World from CORE-ECON, specifically the sections that relate to income inequality: http://www.core-econ.org/the-economy/index.html

Grading:
Grading for the class will be determined as follows:

Problem sets (4) 20%
Group Debates 10%
The course will be conducted **synchronously**, with lectures and group activities during the class times. However, since some students may not be able to participate during that time (e.g., due to time zone differences), the lecture videos and slides will also be posted in Moodle. **Note: if you are unable to participate during the normal class times, you should inform me at the beginning of semester.** For most lectures, I will post short questions/response on key items covered in class on Moodle; you are expected to complete these regardless of if you are taking the class synchronously or asynchronously.

Problem sets, readings, and other materials will be available through the class website on MOODLE. Assignments will be due through Moodle on the date indicated. The midterm and the final examinations will be posted on Moodle and can be taken over a 24 hour period; note that you will have 1.25 and 3 hours to complete them once you start, for midterm and final, respectively. Completion of the midterm an final is necessary to pass the course. Any exceptions would have to be pre-approved; and approval is unlikely unless there is an extremely serious extenuating circumstance.

We will break into small groups (around 6 students) in the beginning of the semester. Groups will work together to do the research and prepare for a group debate. The topics and instructions for which will be announced in advance. We will also sometimes break out into the same groups to discuss particular topics during class, and for group quizzes. For those taking the class asynchronously, you can still participate in helping your group members do research, and come up with talking points in preparation for the debate.

**Code of Conduct:** Students are expected to collaboratively engage in serious and honest inquiry. Any conduct unbecoming of participants including cheating, harassing of fellow students, or engaging in abusive behavior will be dealt with according to the fullest extent of University policy. Students are also expected to be present and give full attention to classroom discussions and activities.

**Section 1: What is income inequality? Measurement and empirical facts**

8/24 (M): Income inequality from a historical perspective – data visualization
Readings:
- Devlin, Kat and J. J. Moncus. 2020. “Many around the world were pessimistic about inequality even before pandemic” Pew Research Center. [https://www.pewresearch.org/fact-tank/2020/08/06/many-around-the-world-were-pessimistic-about-inequality-even-before-pandemic/](https://www.pewresearch.org/fact-tank/2020/08/06/many-around-the-world-were-pessimistic-about-inequality-even-before-pandemic/)

8/26 (W): Types of incomes and data sources
Readings:

8/31 (M): Different ways to measure income inequality

Short question/response, participation 15%
Midterm: 25%
Final: 30%

The course will be conducted **synchronously**, with lectures and group activities during the class times. However, since some students may not be able to participate during that time (e.g., due to time zone differences), the lecture videos and slides will also be posted in Moodle. **Note: if you are unable to participate during the normal class times, you should inform me at the beginning of semester.** For most lectures, I will post short questions/response on key items covered in class on Moodle; you are expected to complete these regardless of if you are taking the class synchronously or asynchronously.

Problem sets, readings, and other materials will be available through the class website on MOODLE. Assignments will be due through Moodle on the date indicated. The midterm and the final examinations will be posted on Moodle and can be taken over a 24 hour period; note that you will have 1.25 and 3 hours to complete them once you start, for midterm and final, respectively. Completion of the midterm an final is necessary to pass the course. Any exceptions would have to be pre-approved; and approval is unlikely unless there is an extremely serious extenuating circumstance.

We will break into small groups (around 6 students) in the beginning of the semester. Groups will work together to do the research and prepare for a group debate. The topics and instructions for which will be announced in advance. We will also sometimes break out into the same groups to discuss particular topics during class, and for group quizzes. For those taking the class asynchronously, you can still participate in helping your group members do research, and come up with talking points in preparation for the debate.

**Code of Conduct:** Students are expected to collaboratively engage in serious and honest inquiry. Any conduct unbecoming of participants including cheating, harassing of fellow students, or engaging in abusive behavior will be dealt with according to the fullest extent of University policy. Students are also expected to be present and give full attention to classroom discussions and activities.

**Section 1: What is income inequality? Measurement and empirical facts**

8/24 (M): Income inequality from a historical perspective – data visualization
Readings:
- Devlin, Kat and J. J. Moncus. 2020. “Many around the world were pessimistic about inequality even before pandemic” Pew Research Center. [https://www.pewresearch.org/fact-tank/2020/08/06/many-around-the-world-were-pessimistic-about-inequality-even-before-pandemic/](https://www.pewresearch.org/fact-tank/2020/08/06/many-around-the-world-were-pessimistic-about-inequality-even-before-pandemic/)

8/26 (W): Types of incomes and data sources
Readings:

8/31 (M): Different ways to measure income inequality
Readings:
- CORE-ECON Sections 5.12, 5.3
- Ehrenberg and Smith, Modern Labor Chapter 15, pp. 531-535 and pp. 554-558

9/2 (W) Empirical facts about income inequality over the 20th century
Readings:
- CORE-ECON Section 19.1

Section 2: Theories of Justice – Should we care about inequality? An examination of philosophical arguments for and against using public action to limit income inequality.

9/7 (M) Perspectives on theories of justice – John Stuart Mills and John Rawls
Readings:
- CORE-ECON Section 19.3, 19.4
- John Rawls, A Theory of Justice, Chapters 1, 2, pp. 3-46, 47-70.

9/9 (W) Perspectives on theories of justice – Karl Marx, Robert Nozick, Amartya Sen
Readings:
- John Roemer, Free to Lose, Chapter 2, pp. 14-27
- Robert Nozick, Anarchy, State and Utopia, Chapter 7 Section I, pp. 149-182

Section 3: Inequality between factors of production. What determines the labor-capital split, and what is happening to labor’s share of income?

9/14 (M) Functional distribution of income – returns to capital and labor
Readings:
- Asher Schecter “The Rise of Market Power and the Decline of Labor’s Share” [Summary of De Loecker and Eeckhout on rising markup from ProMarket.org], pp. 1-6
- Thomas Piketty, Capital in the 21st Century, Chapter 6, pp. 199-236)

Section 4: Wage inequality and policies. Role of supply, demand, institutions, and policies in shaping inequality between wage earners.
9/16 (W) Wage inequality in the United States
Readings:

9/21 (M) Wage determination: Supply, demand and human capital
Readings:
- David Autor, “The Polarization of Job Opportunities in the U.S. Labor Market”, *Hamilton Project Working Paper*

Video (~6 mins): Alan Krueger argues on whether Piketty was right, and about role of human capital: [https://www.youtube.com/watch?v=oM5I9gRHy8U](https://www.youtube.com/watch?v=oM5I9gRHy8U)

9/23 (W) Wage determination: Market power, bargaining and rents
Readings:
- (Repeated from 2/19) Thomas Piketty, *Capital in the 21st Century*, Chapter 9, pp. 304-335
- Video (~1 hour): “Wages and Workers in America Today” (2019) – Panel with Arin Dube, Paul Krugman, Heidi Schierholz. [https://www.youtube.com/watch?v=5oaNCdfMP64](https://www.youtube.com/watch?v=5oaNCdfMP64)


9/28 (M) Policies in action: Minimum wages
Readings:
- Video: (~3 mins): Alan Krueger on Minimum Wages: [https://voxeu.org/content/krueger-minimum-wage](https://voxeu.org/content/krueger-minimum-wage)
- Video: (~4 mins): Arin Dube on Minimum Wages: [https://www.youtube.com/watch?v=99ZTpN5R3mk](https://www.youtube.com/watch?v=99ZTpN5R3mk)

10/5 (M) Midterm [1.5 hour midterm can be completed over 24 hours]

10/7 (W) Policies in action: collective bargaining and workplace representation
Readings:

10/12 (M) Superstar economics and top incomes
Readings:
• Thomas Piketty, *Capital in the 21st Century*, Chapter 8, pp. 271-303

*Section 5: The role of taxes and transfers. How progressive income taxes, cash assistance, and in-kind transfers affect poverty and inequality.*

10/14 (W) Pre-tax versus post-tax inequality: Role of progressive income taxation and transfer policies
Readings:
• CORE-ECON Section 19.10

10/19 (M) Structuring income taxes: incentives, rent-seeking and fairness
Readings:
• Thomas Piketty, Emmanuel Saez, and Stefanie Stantcheva. 2014. “Taxing the 1%: Why the top tax rate could be over 80%.”
• N. Gregory Mankiw, “Defending the One Percent”, *Journal of Economic Perspectives* Volume 27(3).

10/21 (W) Policies in action: EITC, SNAP, cash assistance and poverty alleviation
Readings:


10/26 (M) Inequality in the time of pandemics

Readings:


• TO BE ADDED

10/28 (W) Policies in Action: Federal Pandemic Unemployment Compensation

Readings:


• TO BE ADDED

11/2 (M) Intergenerational mobility and equality of opportunity
Readings:

11/4 (W) Student group debate 1: Wealth taxes

Section 5: Beyond class and national boundaries: How inequality intersects with gender, race, national identity and politics

11/9 (M) Race and gender inequalities
Readings:

11/11 (W) Inequality from a planetary perspective
Readings:
• Branco Milanovic *Global Inequality*, Chapter 1 (pp. 10-45)
• [Optional] Branco Milanovic *Global Inequality*, Chapter 5 (pp. 212-240)

11/16 (M) Student Debate 2: Pandemic Unemployment Compensation

11/18 (M) Review for final exam

Optional: Link between income and political inequality

### Optional: *Policies in action: Wealth and inheritance tax*

Readings:


<table>
<thead>
<tr>
<th>Lecture</th>
<th>Day</th>
<th>Date</th>
<th>Topic</th>
<th>Assignment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>M</td>
<td>24-Aug</td>
<td>Income inequality from a historical perspective - data visualization</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>W</td>
<td>26-Aug</td>
<td>Types of incomes and data sources</td>
<td>Prob. Set 1 Handed Out</td>
</tr>
<tr>
<td>3</td>
<td>M</td>
<td>31-Aug</td>
<td>Different ways to measure income inequality</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>W</td>
<td>2-Sep</td>
<td>Empirical facts about income inequality over the 20th century</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>M</td>
<td>7-Sep</td>
<td>Perspectives on theories of justice – John Stuart Mills and John Rawls</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>W</td>
<td>9-Sep</td>
<td>Perspectives on theories of justice – Karl Marx and Robert Nozick</td>
<td>Prob. Set 1 Due</td>
</tr>
<tr>
<td>7</td>
<td>M</td>
<td>14-Sep</td>
<td>Functional distribution of income - returns to capital and labor</td>
<td>Prob. Set 2 Handed Out</td>
</tr>
<tr>
<td>8</td>
<td>W</td>
<td>16-Sep</td>
<td>Wage inequality in the United States</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>M</td>
<td>21-Sep</td>
<td>Wage determination: Supply, demand and human capital</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>W</td>
<td>23-Sep</td>
<td>Wage determination: Market power, bargaining and rents</td>
<td></td>
</tr>
<tr>
<td></td>
<td>M</td>
<td>28-Sep</td>
<td><em>Policies in action</em>: minimum wages</td>
<td></td>
</tr>
<tr>
<td></td>
<td>W</td>
<td>30-Sep</td>
<td>No class</td>
<td>Prob. Set 2 Due</td>
</tr>
<tr>
<td>12</td>
<td>M</td>
<td>5-Oct</td>
<td><strong>No class (Midterm)</strong></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>W</td>
<td>7-Oct</td>
<td><em>Policies in action</em>: collective bargaining, workplace representation</td>
<td>Prob Set 3 Handed Out</td>
</tr>
<tr>
<td>14</td>
<td>M</td>
<td>12-Oct</td>
<td>Superstar economics and top incomes</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>W</td>
<td>14-Oct</td>
<td>Pre-tax versus post-tax inequality: Role of progressive income taxation</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>M</td>
<td>19-Oct</td>
<td>Structuring income taxes: incentives, rent-seeking and fairness</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Date</td>
<td>Day</td>
<td>Topics</td>
<td></td>
</tr>
<tr>
<td>----</td>
<td>------</td>
<td>-----</td>
<td>--------</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>21-Oct</td>
<td>W</td>
<td>Policies in action: EITC, SNAP, cash assistance and poverty alleviation</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>26-Oct</td>
<td>M</td>
<td>Inequality in the time of pandemics</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>2-Nov</td>
<td>M</td>
<td>Intergenerational mobility and equality of opportunity</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>4-Nov</td>
<td>W</td>
<td>Group Debate 1</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>9-Nov</td>
<td>M</td>
<td>Race and gender inequalities</td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>11-Nov</td>
<td>W</td>
<td>Inequality from a planetary perspective</td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>16-Nov</td>
<td>M</td>
<td>Group Debate 2</td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>18-Nov</td>
<td>W</td>
<td>Review for final exam</td>
<td></td>
</tr>
</tbody>
</table>

Prob. Set 3 Due
Prob. Set 4 Handed Out
Prob. Set 4 Due