

**Sarah Lawrence College**  
**The Economics of Inequality**  
**Seminar, Fall 2014**  
**Mondays and Wednesdays 9:30 – 10:55 A.M.; Sheffield 02**

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**Course Description**

Welcome to the seminar course on The Economics of Inequality! Over the past 30-40 years, inequality has significantly increased in many countries, and virtually exploded in the U.S. and the U.K. The causes and consequences of this heightened inequality are of great interest to social scientists and political actors. In this course, we will review the history of inequality and the manner in which it has been addressed by economic science, we will investigate potential consequences for economic dynamism and political democracy of ever-increasing wealth and income disparities and declining social mobility. This will entail delving into perspectives from different schools of thought within economics and relevant research from other disciplines such as psychology and sociology.

**Course Objectives**

By the end of the course, you should be able to easily discuss and coherently write about the following topics:

- How do we measure inequality in wealth, income, and opportunity?
- How have wealth and income inequality evolved over time, both within and between countries?
- What have different schools of economic thought emphasized regarding inequality? That is, what are the problems that inequality causes? How do they approach and think about inequality differently and what are the implications of this?
- What are some of the sources of inequality? How do questions of gender and race impact the causes and consequences of inequality?
- What are some of the social costs of inequality?
- What is the relationship between inequality and the financial crisis of 2008?
- How will inequality continue to evolve in the coming decades and what implications does this have for public policy? How much of a difference can public policy make in determining the level of inequality?

**Recommended Text**

There are no required textbooks for the course since we will be reading from a variety of sources and disciplines over the course of the semester. While Piketty's book chapters will be made available on MySLC, you may wish to purchase it since we will be reading several chapters.

Thomas Piketty, *Capital in the Twenty-First Century*, The Belknap Press of Harvard University Press, Cambridge: 2014, ISBN: 978-0-674-43000-6.

## **Assignments**

*Readings:* Please read all assignments before class and come prepared to discuss the material. The quality of our discussions will depend on you.

*In-class and take-home review exercises:* Occasionally, I will ask you to answer a few questions in class or at home that are tied to the readings. At the beginning of the course, when we investigate how to measure inequality, these will involve working with data. Otherwise, they will be short discussion/opinion questions designed to get your reactions to the readings. I will provide advanced notice of any upcoming assignments so that you can plan accordingly.

*Take-home check-ins:* To ensure that you are developing an understanding of the concepts we discuss in class and find in the readings, at the end of each major section of the course, you will be given a take-home check-in that will consist of several short essay questions. These will be given out on a Monday and you will need to turn them in the following Wednesday. You will not be allowed to consult with other students about your answers. The questions will be designed for me to provide you with feedback and will figure in to your evaluations at the end of the semester.

*Paper:* You will be required to write a research paper for your conference work, ideally connecting it to an issue that you are personally passionate about. Further guidelines will be forthcoming.

## **Class Policies**

*Evaluations:* When writing your evaluations at the end of the course, I will take a number of factors into account. Of course, your conference project will weigh heavily in this. Additionally, your responses to the weekly assignments of discussion questions, as well as your attendance and participation in class discussions will figure in. I understand that students have different strengths, and I will take this into consideration in the evaluations. I expect you to show me, in some way, that you are getting something out of the course and that you are able to discuss most of the topics listed under “Course Objectives” on the previous page.

*Attendance:* In order to get the most out of the course, it is imperative for you to attend every seminar and conference and to be on time. If a conflict does arise for some reason, be sure to contact me and let me know why you will be unable to attend. You should also email me any assignments that are due so that I can continue to provide you with feedback. Except in the case of extenuating circumstances, missing several meetings will have a strongly negative impact on your evaluation and may reduce the amount of credit you are given for the course.

*Academic freedom:* In this course, we will be discussing a number of politically charged issues, and it is inevitable that there will be a range of opinions, including my own. You will never be penalized in any way for disagreeing with me or challenging my views. Part of the learning process for all of us is having our existing beliefs and assumptions challenged over the course of the year. Being able to do this in a respectful and constructive way can allow us to grow more intellectually.

*Disability support:* If you have a physical, learning, or other disability that requires accommodation, you can let me know in the way that is most comfortable for you. I will do my best to work with you and the college to make any necessary accommodations.

## Course Schedule

| Week   | Seminar Subject, Readings, and Assignments |  |
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| 1  | Mon, Sept. 8                               | <p><i>Introduction: Why does inequality matter?</i></p> <ul style="list-style-type: none"> <li>• John Kenneth Galbraith (1998) <i>The Affluent Society</i>, Ch. 7: Inequality.</li> <li>• Thomas Piketty (2014) <i>Capital in the Twenty First Century</i>, Introduction (p. 1-16).</li> </ul>   |
| <b>Part I : Measuring Inequality &amp; Understanding Its History</b> |  |  |
|  | Wed, Sept. 10                              | <p><i>Measuring Inequality I</i></p> <ul style="list-style-type: none"> <li>• <a href="#">“Measuring Inequality: The Three-Headed Hydra”</a> <i>Free Exchange Blog, The Economist</i>, July 16, 2014.</li> <li>• Andrew McKay, <a href="#">“Defining and Measuring Inequality,”</a> Inequality Briefing Paper No. 1, Overseas Development Institute, March 2002.</li> </ul>  |
| 2  | Mon, Sept. 15                              | <p><i>Measuring Inequality II</i></p> <ul style="list-style-type: none"> <li>• Neva Goodwin et al., <i>Macroeconomics in Context</i> (2008), Chapter 3 (Section 3).</li> <li>• Inequality measurement exercise</li> </ul>  |
|  | Wed, Sept. 17                              | <p><i>Class Simulation</i></p> <ul style="list-style-type: none"> <li>• Familiarize yourself with rules posted on MySLC</li> </ul>   |
| 3  | Mon, Sept. 22                              | <p><i>Simulation Discussion &amp; Inequality Within Countries I: A Global Overview</i></p> <ul style="list-style-type: none"> <li>• Anthony Atkinson, Thomas Piketty, &amp; Emmanuel Saez (2011), <a href="#">“Top Incomes in the Long Run of History,”</a> <i>Journal of Economic Literature</i> 49:1 (3-71) [Read sections 1, 2, 4, and 6 of the article]</li> </ul>   |
|  | Wed, Sept. 24                              | <p><i>Inequality Within Countries II: The Case of the United States</i></p> <ul style="list-style-type: none"> <li>• Emmanuel Saez (2013) <a href="#">“Striking it Richer: The Evolution of Top Incomes in the United States,”</a> public summary of preliminary 2012 data updates, UC Berkeley.</li> <li>• David Leonhart, <a href="#">“In Climbing Income Ladder, Location Matters,”</a> <i>The New York Times</i>, July 22, 2013. [Work with interactive map in article]</li> </ul> |
| 4  | Mon, Sept. 29                              | <p><i>Inequality Between Countries</i></p> <ul style="list-style-type: none"> <li>• Branko Milanovic (2011) <i>The Haves and the Have-Nots</i>, “Essay II: Unequal Nations,” “Vignette 2.2: How Unequal Is Today’s World?” &amp; “Essay III: Unequal World.”</li> </ul>  |
| <b>Part II: Theoretical Explorations of Inequality</b>               |  |  |
|  | Wed, Oct. 1                                | <p><i>Social Choice Theory: Interpersonal Comparisons of Utility</i></p> <ul style="list-style-type: none"> <li>• John C. Harsanyi (2008) “Interpersonal Utility Comparisons,” <i>The New Palgrave Dictionary of Economics</i>, Steven N. Durlauf &amp; Lawrence E. Blume, eds.</li> <li>• Amartya Sen (2008) “Social Choice” <i>The New Palgrave Dictionary of Economics</i>, Steven N. Durlauf &amp; Lawrence E. Blume, eds.</li> <li>• <b>First assessment due</b></li> </ul>       |
| 5  | Mon, Oct. 6                                | <p><i>The Capabilities Approach</i></p> <ul style="list-style-type: none"> <li>• Amartya Sen (1979) <a href="#">“Equality of What?”</a> The Tanner Lecture on Human Values, Stanford University, May 22.</li> </ul>  |

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|   | Wed, Oct. 8  | <p><i>Neoclassical Views on Distribution</i></p> <ul style="list-style-type: none"> <li>N. Gregory Mankiw (2013) "Defending the One Percent," <i>Journal of Economic Perspectives</i>, 27:3 (21-34).</li> <li>Arthur Okun (1975) <i>Equality and Efficiency: The Big Tradeoff</i>, Chapter 3 "Equality of Income and Opportunity."</li> </ul>  |
| 6   | Mon, Oct. 13 | <p><i>Keynesian &amp; Post-Keynesian Views on Distribution</i></p> <ul style="list-style-type: none"> <li>Hyman P. Minsky (1975) <i>John Maynard Keynes</i>, Chapter 8: Social Philosophy and Economic Policy (p. 148-154).</li> <li>James K. Galbraith (1998), "<a href="#">The Distribution of Income</a>," UTIP Working Paper #2, University of Texas Inequality Project.</li> </ul>  |
|   | Wed, Oct. 15 | <p><i>Marxian Views on Distribution</i></p> <ul style="list-style-type: none"> <li>Karl Marx (1849) <i>Wage Labor &amp; Capital</i>, Chapters 2-7.</li> </ul>  |
| 7   | Wed, Oct. 22 | <p><i>Institutionalist Views on Distribution</i></p> <ul style="list-style-type: none"> <li>Jon D. Wisman &amp; James F. Smith (2011) "Legitimizing Inequality: Fooling Most of the People All of the Time," <i>American Journal of Economics &amp; Sociology</i>, 70:4 (974-1013).</li> <li>Joseph Stiglitz (2012) <i>The Price of Inequality</i>, Chapter 2 "Rent Seeking and the Making of an Unequal Society."</li> </ul>                      |
| 8   | Mon, Oct. 27 | <p><i>New Distribution Theory: Thomas Piketty</i></p> <ul style="list-style-type: none"> <li><i>Capital in the Twenty-First Century</i>, Ch. 5.</li> </ul>   |
|   | Wed, Oct. 29 | Mid-Semester Review  |
| <b>Part III: The Sources and Consequences of Inequality</b> |              |  |
| 9   | Mon, Nov. 3  | <p><i>Social Costs of Inequality</i></p> <ul style="list-style-type: none"> <li>Kate Pickett &amp; Richard Wilkinson (2011) <i>The Spirit Level: Why Greater Equality Makes Societies Stronger</i>, Chapters 3 and 4.</li> <li>Richard Wilkinson TED talk</li> <li>Shigehiro Oishi, Selin Kesebir, and Ed Diener (2011) "Income Inequality and Happiness," <i>Psychological Science</i> 22:9 (1095-1100).</li> </ul>                               |
|   | Wed, Nov. 5  | <p><i>Causes and Determinants of Inequality I – Concentrations of Wealth</i></p> <ul style="list-style-type: none"> <li>Daron Acemoglu &amp; James A. Robinson (2012) <i>Why Nations Fail</i>, Chapter 4 (Sections on "Extractive and Inclusive Political Institutions" and "Why Not Always Choose Prosperity?")</li> <li>Thomas Piketty, <i>Capital in the Twenty-First Century</i>, Ch. 10.</li> <li><b>Second assessment Due</b></li> </ul>     |
| 10  | Mon, Nov. 10 | <p><i>Causes and Determinants of Inequality II – Inequality of Labor Income</i></p> <ul style="list-style-type: none"> <li>Claudia Goldin and Lawrence Katz (2008) <i>The Race Between Education and Technology</i>, Chapter 3: "Skill-Biased Technological Change."</li> <li>OECD (2011) <i>Divided We Stand: Why Inequality Keeps Rising</i> (editorial).</li> <li>Thomas Piketty, <i>Capital in the Twenty-First Century</i>, Ch. 9.</li> </ul> |
|   | Wed, Nov. 12 | <p><i>Conspicuous Consumption and Social Pressures</i></p> <ul style="list-style-type: none"> <li>Samuel Bowles and Yongjin Park (2005) "Emulation, Inequality, and Work Hours: Was Thorstein Veblen Right?" <i>The Economic Journal</i> 115:507 (F397-F412).</li> <li>Thorstein Veblen (1899) <i>The Theory of the Leisure Class</i>, Chapter 4</li> </ul>  |

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| 11 | Mon, Nov. 17 | <p><i>Social Mobility</i></p> <ul style="list-style-type: none"> <li>• Krishna Savani and Aneeta Rattan (2012) “A Choice Mind-Set Increases the Acceptance and Maintenance of Wealth Inequality,” <i>Psychological Science</i> 23:7 (796-804).</li> <li>• Raj Chetty et al. (2014) “Where is the Land of Opportunity? The Geography of Intergenerational Mobility in the U.S.” Executive Summary, The Equality of Opportunity Project, January 2014.</li> </ul>   |
|    | Wed, Nov. 19 | <p><i>Taxes, Transfers, and Inequality</i></p> <ul style="list-style-type: none"> <li>• Leonard E. Burman (2013) “<a href="#">Taxes and Inequality</a>,” <i>Tax Law Review</i> 66 (563-592).</li> <li>• Emmanuel Saez (2006) “Redistribution Toward Low Incomes in Richer Countries,” in <i>Understanding Poverty</i>, edited by A. Banerjee, R. Benabou, and D. Mookherjee.</li> <li>• <b>HW 4 Due</b></li> </ul>  |
| 12 | Mon, Nov. 24 | <p><i>Inequality and the Environment</i></p> <ul style="list-style-type: none"> <li>• Jon Wisman (2011) “Inequality, Social Respectability, Political Power, and Environmental Devastation,” <i>Journal of Economic Issues</i> 45:4 (877-900).</li> <li>• Klara Zwickl, Michael Ash, and James K. Boyce (2014) “<a href="#">Regional Variation in Environmental Inequality: Industrial Air Toxics Exposure in U.S. Cities</a>,” Political Economy Research Institute, University of Massachusetts Amherst, Working Paper #342.</li> </ul>   |
| 13 | Mon, Dec. 1  | <p><i>Income &amp; Wealth Inequality and Gender Inequality</i></p> <ul style="list-style-type: none"> <li>• Jeremy Greenwood et al. (2014) “Marry Your Like: Assortative Mating and Income Inequality,” NBER Working Paper No. 19829, p. 1-6.</li> <li>• Susan Harkness (2013) “Women’s Employment and Household Income Inequality,” in <i>Income Inequality: Economic Disparities and the Middle Class in Affluent Countries</i>, Janet C. Gornick &amp; Markus Jäntti, eds.</li> </ul>  |
|    | Wed, Dec. 3  | <p><i>Inequality and Race</i></p> <ul style="list-style-type: none"> <li>• Thomas Shapiro (2004) <a href="#">The Hidden Cost of Being African American: How Wealth Perpetuates Inequality</a> Introduction, Chapter 2.</li> <li>• Signe-Mary McKernan et al. (2013) “<a href="#">Less Than Equal: Racial Disparities in Wealth Accumulation</a>,” Urban Institute, Washington, DC.</li> <li>• Thomas Shapiro, Tatjana Meschede, and Sam Osoro (2013) “<a href="#">The Roots of the Widening Racial Wealth Gap: Explaining the Black-White Economic Divide</a>,” Research and Policy Brief, Institute on Assets and Social Policy, Brandeis University.</li> </ul> |
| 14 | Mon, Dec. 8  | <p><i>Inequality and Macroeconomic Instability</i></p> <ul style="list-style-type: none"> <li>• Jared Bernstein (2013) “<a href="#">The Impact of Inequality on Growth</a>,” Center for American Progress.</li> <li>• Till van Treeck (2013) “Did Inequality Cause the U.S. Financial Crisis?” <i>Journal of Economic Surveys</i>, early access online 00:0 (1-28).</li> <li>• <b>HW 5 Due</b></li> </ul>   |

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|           | Wed, Dec. 10 | <i>Review Day/Catch up &amp; Reflections</i>  |
| <b>15</b> | Mon, Dec. 15 | <i>Conference Work Presentations</i>  |
|           | Wed, Dec. 17 | <i>Conference Work Presentations</i><br><ul style="list-style-type: none"> <li>• <b>Final Assessment Due</b></li> </ul> |

### **Conference Work Schedule**

There will be six conferences this semester. At least 24 hours before each appointment, I ask that you submit a progress report and your assignment to me electronically, at [nreksten@sarahlawrence.edu](mailto:nreksten@sarahlawrence.edu). I prefer assignments in Word document form or as a PDF, but Google Docs will work as well. Late submissions will impact your grade and assessment. If you are unable to attend the conference, please let me know in advance, send me the assignment on time, and we will discuss it over the telephone or through email. If you come to a conference without having done the assignment, or at least without having made a strong attempt, you will be asked to leave and use the conference time to work on your project. However, if you are having trouble making progress in spite of having spent some time on the project, we can discuss where the roadblock is and strategies for getting around it.

In the age of things like Dropbox and Google Drive, there is no excuse to not back up your work. Make sure that you keep it saved in multiple places so that you do not have to start over in the event of a single computer crashing.

#### **Conference 1 (Weeks of Sept. 15 & Sept. 22)**

Write a paragraph-long summary of your proposed topic or question. If you are deciding among several topics, write a paragraph for each. When choosing your topic, please bear in mind your time constraints and your background (or lack thereof) in economics and data/statistics.

If your topic involves the interpretation of data, visit a research librarian *soon* to determine whether the SLC library has (or can get access to) the data you need. If not, you may have to change your topic.

Begin keeping track of the sources you use in some way. I use Microsoft Word's reference organizer for my own work, but there are many other options out there, like [Zotero](#), which is free.

#### **Conference 2 (Weeks of Sept. 29 & Oct. 6)**

Submit a brief outline of your basic argument, being careful to distinguish your ideas from those you've gathered from other sources. Submit an annotated bibliography containing summaries and commentaries on a minimum of five sources (articles, books, reliable internet sources) that are highly relevant to your topic, along with a list of all of the sources you have consulted so far. Ideally, your sources should be peer-reviewed journals, books from respected publishers, or government/reliable NGO data sources. When in doubt as to the quality of your resource, speak to me or a research librarian.

#### **Conference 3 (Weeks of Oct. 13 & Oct. 27)**

Write and submit your literature review. Submit a detailed outline of the rest of your paper, including a detailed outline of your basic argument and a thesis statement.

#### **Conference 4 (Weeks of Nov. 3 & Nov. 10)**

Submit a rough draft of about 10-15 pages of your argument. At this point, your paper should include:

- A thesis statement/summary of your basic argument
- A literature review that explains the major ideas that others have put forward
- Your criticism and response to these arguments, which may involve your use of data to explain your position
- Your own hypothesis to shed some light on your question, supported by logic, data, case studies, or other means

#### **Conference 5 (Weeks of Nov. 17 & Dec. 1)**

Submit a complete rough draft of your paper, including an introduction and conclusion, in addition to revisions to the sections you had submitted for the previous conference.

In your introduction, you should explain the question you're exploring and discuss why it is important, define any key terms you will be using, briefly explain your data sources and methodology, and provide a quick outline of the rest of your paper. Your conclusion should summarize the literature and your own findings from the paper. If appropriate, it should also discuss implications for public policy and/or future research.

#### **Conference 6 (Weeks of Dec. 8 & Dec. 15)**

Submit a revised draft of your paper. We will discuss any further changes that need to be made, overall impressions of the work, and how you might continue to explore the topic further in the future.