

**Arindrajit Dube**  
**Econ 333: Income Inequality & Policy Alternatives**  
**Syllabus, Fall 2020**

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***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 economists 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%
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 and 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:

- CORE-ECON, *Economics for a Changing World*, Section 1: The Capitalist Economy
- Thomas Piketty: *Capital in the 21<sup>st</sup> Century*, Introduction, pp. 1-20
- 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/>

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

Readings:

- Thomas Piketty: *Capital in the 21<sup>st</sup> Century*, Chapter 1, pp. 39-59  
Video with Piketty (~5 mins) <https://core-econ.org/the-economy/book/text/19.html#ouhJrEcrCzQ>

### **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 20<sup>th</sup> century**

Readings:

- CORE-ECON Section 19.1
- Facundo Alvaredo, Anthony Atkinson, Thomas Piketty, and Emmanuel Saez, 2013, “The Top 1 Percent in Historical Perspective”, *Journal of Economic Perspectives* Volume 27(3): pp. 3-20.
- [Optional] Thomas Piketty: *Capital in the 21<sup>st</sup> Century*, Chapter 7, pp. 237-270

## ***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
- Jon Bakija, “Social Welfare, Redistribution, and the Tradeoff between Efficiency and Equity, with Developing Country Applications,” pp. 1-13.
- John Rawls, *A Theory of Justice*, Chapters 1, 2, pp.3-46, 47-70.

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### **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
- Amartya Sen, “Equality of What?” in *The Tanner Lectures in Human Values*, pp. 197-220
- [Optional] Elizabeth Anderson. 1999. “What is the Point of Equality?” *Ethics*, pp.

## ***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:

- N. Gregory Mankiw, “Defending the One Percent”, *Journal of Economic Perspectives* Volume 27(3): pp. 21-34.
- 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 21<sup>st</sup> 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:

- Claudia Goldin and Lawrence Katz, *The Race Between Education and Technology*, Chapter 2.
- Thomas Piketty, *Capital in the 21<sup>st</sup> Century*, Chapter 9, pp. 304-335

### **9/21 (M) Wage determination: Supply, demand and human capital**

Readings:

- Ronald G. Ehrenberg and Robert S. Smith, *Modern Labor Economics: Theory and Public Policy*, Chapter 15, pp. 542-549.
- Claudia Goldin and Lawrence Katz, *The Race Between Education and Technology*, Chapter 3.

- 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=oM5I9gRH8U>

### 9/23 (W) Wage determination: Market power, bargaining and rents

Readings:

- (Repeated from 2/19) Thomas Piketty, *Capital in the 21<sup>st</sup> Century*, Chapter 9, pp. 304-335
- Council of Economic Advisors. 2016. “Labor Market Monopsony: Trends, Consequences, and Policy Responses.” pp. 1-17.
- Suresh Naidu, Eric Posner and Glen Weyl. 2018. “Antitrust Remedies for Labor Market Power” *Harvard Law Review*, pp. 10-24.
- 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>
- [Optional] Orley Ashenfelter, Henry Farber, and Michael Ransom, 2010. “Modern Models of Monopsony in Labor Markets: A Brief Survey” *Journal of Labor Economics*

### 9/28 (M) Policies in action: Minimum wages

Readings:

- Arindrajit Dube, “Impact of Minimum Wages: Review of the International Evidence” Report Prepared for UK Treasury (2019): chapters 3 and 4 (pp. 19-52)
- David Green. 2014. “What Is a Minimum Wage For? Empirical Results and Theories of Justice.” *Canadian Public Policy* 40(4): pp. 293-314.
- Video: (~3 mins): Alan Krueger on Minimum Wages: <https://voxeu.org/content/krueger-minimum-wage>
- Video: (~4 mins): Arin Dube on Minimum Wages: <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:

- Florence Jaumotte and Carolina Osorio Buitron. 2015. “Inequality and Labor Market Institutions” *IMF Discussion Note*, pp. 4-27.
- Richard B. Freeman and Kelsey Hilbrich. 2013. “Do Labor Unions have a Future in the United States?” in *The economics of inequality, poverty, and discrimination in the 21st Century*, ed. Robert S. Rycroft. Santa Barbara, CA: Praeger, pp. 1-9.
- [Optional] Kate Andrias. 2017. “Social Bargaining in States and Cities: Toward a More Egalitarian and Democratic Workplace Law.” Prepared for Harvard Law School Symposium<sup>[L]</sup> “Could Experiments at the State and Local Levels Expand Collective Bargaining and Workers’ Collective Action?” pp. 1-18.
- [Optional] ] Ronald G. Ehrenberg and Robert S. Smith, *Modern Labor Economics: Theory and Public Policy*, Chapter 13

## 10/12 (M) Superstar economics and top incomes

Readings:

- Alan Krueger, “Rock and Roll, Economics, and the Rebuilding of the American Middle Class”, <http://www.whitehouse.gov/blog/2013/06/12/rock-and-roll-economics-and-rebuilding-middle-class>
- Thomas Piketty, *Capital in the 21<sup>st</sup> 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
- Thomas Piketty, Emmanuel Saez, and Gabriel Zucman, “Distributional National Accounts: Methods and Estimates for the United States”, NBER Working Paper 22945.

## 10/19 (M) Structuring income taxes: incentives, rent-seeking and fairness

Readings:

- Diamond, Peter and Emmanuel Saez. 2011. “The case for a progressive tax: from basic research to policy recommendations.” *Journal of Economic Perspectives*, pp. 165-173, 175-177.
- 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).
- [Optional] Thomas Piketty, Emmanuel Saez, and Stefanie Stantcheva. 2014. “Optimal Taxation of Top Labor Incomes: A Tale of Three Elasticities.” *American Economic Journal: Economic Policy* 6(1): 230–271.
- [Optional] Gabriel Zucman, *The Hidden Wealth of Nations: The Scourge of Tax Havens*, Chapter 1, and slides: <http://gabriel-zucman.eu/files/Zucman2015SlidesShort.pdf>

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

Readings:

- Liana Fox, Christopher Wimer, Irwin Garfinkel, Neeraj Kaushal, and Jane Waldfogel. 2015. “Waging War on Poverty- Poverty Trends Using a Historical Supplemental Poverty Measure.” *Journal of Policy Analysis and Management* 34(3): 567-592.
- Hilary Hoynes. 2016. “The Supplemental Nutrition Assistance Program: A Central Component of the Safety Net.” IRLE Policy Brief, pp. 1-11
- Hilary Hoynes. 2017. “The Earned Income Tax Credit: A Key Policy to Support Families Facing Wage Stagnation” IRLE Policy Brief, pp. 1-6.
- [Optional] Hilary Hoynes and Mark Stabile. 2017. “How do the U.S and Canadian social safety nets compare for women and children?” Working paper.
- [Optional] Jesse Rothstein and Austin Nichols. 2015 “The Earned Income Tax Credit [EITC]” NBER Working Paper 21211.

Video: Hilary Hoynes on Social Safety Net Reduces Childhood Poverty:

<https://www.piiie.com/newsroom/short-videos/how-social-safety-net-reduces-childhood-poverty>

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

### Readings:

- Bachas, Natalie, Peter Ganong, Pascal J Noel, Joseph S Vavra, Arlene Wong, Diana Farrell, Fiona E Greig. 2020. “Initial Impacts of the Pandemic on Consumer Behavior: Evidence from Linked Income, Spending, and Savings Data” National Bureau of Economic Research Working Paper Series w27617: <https://www.nber.org/papers/w27617.pdf>
- Krogstad, Jens Manuel and Mark Hugo Lopez. 2020. “Coronavirus Economic Downturn Has Hit Latinos Especially Hard” Pew Research Center: <https://www.pewresearch.org/hispanic/2020/08/04/coronavirus-economic-downturn-has-hit-latinos-especially-hard/>
- Interview with Thomas Piketty (5 mins): “Pandemic exposes the 'violence of social inequality'” <https://www.pri.org/stories/2020-05-01/economist-thomas-piketty-pandemic-exposes-violence-social-inequality>
- NPR Interview with Heather Boushey (4 mins): How The COVID-19 Pandemic Is Deepening Economic Inequality In The U.S <https://www.npr.org/2020/08/16/902977077/how-the-covid-19-pandemic-is-deepening-economic-inequality-in-the-u-s>
- TO BE ADDED

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

### Readings:

- Farrell, Diana, Peter Ganong, Fiona Greig, Max Liebeskind, Pascal Noel, Joe Vavra. 2020 “Consumption Effects of Unemployment Insurance during the COVID-19 Pandemic”: <https://institute.jpmorganchase.com/institute/research/labor-markets/unemployment-insurance-covid19-pandemic#finding-2>
- TO BE ADDED

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

### Readings:

- Miles Corak. 2013. “Income Inequality, Equality of Opportunity, and Intergenerational Mobility.” *Journal of Economic Perspectives* 27(3): 79-102.
- Raj Chetty, David Grusky, Maximilian Hell, Nathaniel Hendren, Robert Manduca, and Jimmy Narang. 2016. “The Fading American Dream: Trends in absolute income mobility since 1940.” Executive summary, pp. 1-2.
- [Optional] Raj Chetty, Nathan Hendren, Patrick Kline, Emmanuel Saez, and Nicholas Turner. 2014, “Is the United States Still a Land of Opportunity? Recent Trends in Intergenerational Mobility”, *American Economic Review*.

## 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:

- Mary Daly, Bart Hobijn and Joseph Peditke. 2017. “Disappointing Facts about the Black-White Wage Gap” Federal Reserve Bank of San Francisco Economic Letter. pp.
- Francine D. Blau, and Lawrence M. Kahn. 2016. “The Gender Wage Gap: Extent, Trends, and Explanations.” NBER working paper. especially pp. 1-5, 31-42, 48-50.
- Jennifer Doleac and Luke Stein. 2010. “Race has a hand in determining market outcomes” *VoxEU Op Ed* summarizing their paper.
- [Optional] Marianne Bertrand and Sendhil Mullainathan. 2004. “Are Emily and Greg More Employable than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination.” *American Economic Review* 94(4): pp. 991-1013.

### 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

- Larry Bartels (2008), *Unequal Democracy: The Political Economy of the New Gilded Age*, Ch. 9, pp. 252-282.
- [Optional] Martin Gillens and Benjamin Page. 2014. “Testing Theories of American Politics,” *Perspectives on Politics*, pp. 564-577.
- [Optional] Arindrajit Dube and Ethan Kaplan. 2012. “Occupy Wall Street and the Political Economy of Inequality” *Economists’ Voice*, pp. 1-7.

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

Readings:

- Thomas Piketty, *Capital in the 21<sup>st</sup> Century*, Chapter 15, pp.515-539.

Video: Gabriel Zucman on Wealth Taxes: <https://www.piie.com/newsroom/short-videos/making-wealth-tax-work>



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



