Introduction

One of the most contentious and important issues about the U.S. economy is the growth in income and wealth inequality since 1980. Over the same period, within-country inequality has grown in many countries around the world, even as global inequality has probably fallen (due to the rise of China and India).

Within the United States and many other countries, inequality has grown within the majority of the population (the proverbial “99 percent”), at the same time as the share of income going of the richest households (the “1 percent”) has risen. Much of the course will be aimed at understanding these two distinct phenomena as well as the relationships between them.

Economic inequality is an inherently and unavoidably contentious topic, with deep connections to political debates. This is a course in economic analysis, not a primer in ideology, and we will strive for a balanced and objective approach to inequality while not shying away from controversy.

The course will introduce ambitious undergraduate students to

- measurement: the facts about economic inequality, both in the U.S. and around the world, with an emphasis on the details of how inequality is measured.
- theory: the theoretical and empirical economics literature on the causes and consequences of inequality.
- policy: the economic policy debate about what can and/or should be done about the growth of inequality, with an emphasis on the United States.

At the end of the course, successful students will have a broad knowledge of the facts about economic inequality, the economic and political causes of growing inequality, and the role of public policy in exacerbating and/or ameliorating inequality.

Prerequisites

Economics 3010 (intermediate microeconomics) and Economics 3720 (econometrics). Familiarity with the statistical package Stata.
Course format

Weekly lectures and discussion sections. Lecture attendance and participation in in-class discussions is required. Lecture slides will be posted on Collab before each class, and students are encouraged to print out the slides and bring them to class to aid note taking.

Course Requirements

- Three exams (20% of course grade each), after each of the three parts of the course.
- Semi-weekly problem sets (10%)
- Final Paper (30%)

Exams will be non-cumulative and will consist of short answer questions.

Problem sets will be a mix of simple data analysis using Stata and mathematical problem solving.

The final paper will be on a topic of the student’s choosing, subject to instructor approval. Topics may be about measurement, theory, or policy, but all papers must include a substantial original data analysis.

Readings

There is no textbook for this class. The following books will be assigned extensively:


In addition to assigned readings from the above books, there will be assigned readings from scholarly economics journals, research organizations, journalism, and online sources.
Course outline

The course is divided into three sections of roughly equal length, with an in-class exam after each section.

**Part 1: How much economic inequality is there, and how has inequality changed over time?**
- Measuring the distributions of income and wealth
- US inequality 1960-2015
  - the 1 percent: documenting the evolution of the income share earned by the richest households.
  - wealth inequality.
- International perspectives 1: earnings and wealth inequality in other advanced countries (focus on Canada, UK, and France)
- International perspectives 2
  - global income inequality
  - the rise of the global middle class in China and India

**Part 2: The Economics of Inequality: Theory and evidence**
- Economic growth and inequality
- The 99 percent
  - The economic return to education, and why it has risen so much
  - Skill-biased technological change
  - Globalization and Inequality
- The 1 percent
  - The Economics of Superstars
  - The role of financial sector: theory and US and international evidence
  - Capital income and inheritance

**Part 3: Economic Inequality and Public Policy**
- Taxes, transfers, and inequality in the United States
- Taxes, transfers, and inequality in other advanced countries (focus on Canada, UK, and France)
- The political economy of inequality
- Educational policy and inequality