Syllabus for Economics 1565: Income Inequality (Senior Seminar)

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Course Description

The rise in income inequality in the United States over the last three decades has been one of the most important economic phenomena of the post-World War II period, with enormous implications for individual welfare, social relations, and government policy. The focus in Econ 1565 is on the macroeconomic dimensions of income inequality. How much of national income is paid to capital and how much to labor? What determines the gap in income between workers with different skill levels, as well as variation in income within skill groups? How have changes in technology, openness to trade, government policy, and the quantities of factors themselves contributed to changes in these relative returns? What determines the aggregate quantities of different factors of production as well as their distribution among individuals, and how is this process changing over time? Finally, how does inequality feed back to affect macroeconomic stability and long term growth?

The economics department offers two other courses that deal with inequality: Econ 1370: Race and Inequality in the US (Loury) and Econ 1375: Inequality of Opportunity in the United States (Hilger). Although there is some overlap, Econ 1560 largely complements these other two, and a student could usefully take all three courses.

Econ 1370 is concerned with the structural and historical origins of urban ghettos; crime, punishment, and race; segregation and discrimination; racial stereotyping; and the history, ethics, and optimal design of affirmative action policies. This course draws on literature in sociology, politics, and history as well as economics, and is less oriented toward the technical tools of economics than are 1375 and 1565. Issues of race will be largely absent in Econ 1565.

Econ 1375 examines evidence on why children with different socioeconomic backgrounds wind up with such different outcomes as adults, including work that studies genetic endowments, parents, neighborhoods, income, discrimination, and educational and health care policies in determining children’s long-term labor market success. Compared to Econ 1565, this course draws much more heavily on microeconomic literature, and is concerned more with the characteristics that individuals
bring to the labor market than with understanding the returns that these characteristics earn in the labor market.

Requirements and Grading

This is a senior seminar in which a good deal of student participation is expected. Class meetings will consist of lectures, presentations by students, and discussions. Students will be required to give several in-class presentations based on class materials or other material agreed on with the professor. Students will also be responsible for preparing brief written responses to readings (critiques and questions) before class meetings. Finally, students will be expected to participate actively and intelligently in class discussion.

Class Outline / Readings

*In addition to attendance in class, students should try if at all possible to attend a public conference on “Equality of Opportunity in America,” which will take place Monday, March 2, from 4-6, location TBA.*

**Note #1:** Because this is an issue on which both political discussion and economic analysis are evolving rapidly, I expect that a significant part of class materials will be made up of current briefings, opinion pieces, and the like. Many of these will be added over the course of the semester.

**Note #2:** There is much more material on the list below than one student could be expected to read over the course of the semester. Over the first few class meetings, we will develop a system for allowing students to pick a reasonable subset of materials to read and discuss.

1. Building Blocks

1.1 Measurement and Basic Facts


“Inequality for All” (film, 2013) available on Netflix, Amazon Instant Video, VUDU, Google Play, and iTunes


1.2 Inequality and Mobility


Clark, Gregory, “Your Ancestors, Your Fate.” (Opinion piece, Feb. 2014)

Corak, Miles, “Income Inequality, Equality of Opportunity, and Intergenerational Mobility” “Journal of Economic Perspectives, Summer 2013


2. Capital Accumulation and Income Inequality

Piketty, Thomas, Capital in the 21st century (Harvard University Press, 2014) [chapters 7 and 8]


3. The Return to Human Capital, Deskilling, and Technological Unemployment

Autor, David, 2010  “The Polarization of Job Opportunities in the U.S. Labor Market: Implications for Employment and Earnings”


4. The Very Top of the Income Distribution


5. Policy and Political Economy


Alan Manning, “To Raise, or Not to Raise, the Minimum Wage Again,” *Miliken Review* 3rd qtr 2013.

Report of the Commission on Inclusive Prosperity, Center for American Progress, January 2015


