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WWS590A-ECO581L_F2009
Economic Perspectives on Inequality

Objective of the course:

This six week course will open with discussion about the use of the term inequality in the Economics discipline and the problems and ways to measure it. We will also discuss measures of poverty and mobility. We will compare the evolution of those measures across OECD countries. The following weeks are organized around big themes: education, labor markets and wage inequality, family. We will look at the impact of different policies across the OECD in relation to those themes. Finally we will focus on the consequences (and may be causes) of inequality and its relationship to growth and development in a broad context (e.g. credit market access, institutions and growth).

Course Requirements:

Each week students will read the *required readings* ahead of each lecture. Required readings and some of the background readings are available on the blackboard. Other background readings are also available in the main University Catalog (many through JSTOR). The background readings are for those interested in furthering a particular topic and constitute some of the material I use to prepare my class in addition to the required readings.

Each student is required to prepare three reflection papers of either type A or type B (at least one of each type) at the week of their choosing. The papers need to be posted on blackboard by noon on Monday (previous to the class)

Type A: A critical analytical review of one of the assigned papers (e.g. main ideas in the paper, how they address the topic under discussion, provide some comments as if you were writing a referee report) (max 4 pages double spaced)

Type B: An overview of the weekly papers (e.g. common themes, conflicting arguments, issues you find missing and strengths of the discussions) (max 4 pages double spaced)

LECTURE OUTLINE

Lecture 1 (September 22) – Concepts and Tools for Measuring Income Inequality, and Poverty

Required Readings:

Debraj Ray, Development Economics. Princeton University Press. Chapter 6.

Deaton Angus, (2006) Measuring poverty in Banarjee and R. Benabou (eds.)
Understanding Poverty, Oxford University Press

A Brandolini, TM Smeeding ,Inequality patterns in western democracies: cross-country differences and time changes– mimeo 2007 (can be found on the web)

Garfinkel, I., Rainwater, L., & Smeeding, I. (2006). A Re-examination of Welfare States and Inequality in Rich Nations: How In Kind Transfers and Indirect Taxes Change the Story. Journal of Policy Analysis and Management, 25(4), 897-918.

Burchard, T., et al. (2002) “Degrees of Exclusion” in John Hills et al. (Edts.)
Understanding Social Exclusion. Oxford: Oxford University Press.

Related background readings:

A.B. Atkinson & F. Bourguignon. 2000. “Introduction: Income Distribution and Economics.” In A.B. Atkinson & F. Bourguignon, eds. Handbook of Income Distribution. North Holland. Pages 1-26.

Jenkins, S. and P. Van Kerm, The MEasurement of Economic Inequality (Chapter 3) In Wiemer Salverda, Brian Nolan, Timothy M. Smeeding (editors, 2009): The Oxford Handbook of Economic Inequality. Oxford University Press.

Websites with papers on inequality issues:

[Effects of Inequality on Economic Performance:](#) Institute of International Studies, UC Berkeley

<http://globetrotter.berkeley.edu/macarthur/inequality/papers/>

The Luxembourg Income Study (LIS) is a cross-national Data Archive and a Research Institute located in Luxembourg. The LIS archive contains two primary databases. The LIS Database includes income microdata from a large number of countries at multiple points in time. The newer LWS Database includes wealth microdata from a smaller

selection of countries. The website also contains working papers on inequality.
<http://www.lisproject.org/>

Boarini, R., Johansson, A., and Mira d'Ercole, M. (2006) "Alternative Measures of Well-Being". OECD Social, Employment and Migration Working Papers, Number 33

Esteban, J.M. and Ray, D.: On the measurement of polarization, *Econometrica* 62(4) (1994), 819–851

E. Saez, "Redistribution Toward Low Incomes in Richer Countries", Chapter 13, in A. Banerjee, R. Benabou, and D. Mookherjee eds. *Understanding Poverty* (Oxford: Oxford University Press), 2006(link available at Income and Wealth Inequality papers by Saez <http://elsa.berkeley.edu/~saez/>)

Smeeding, T. (2004). "Public Policy, Economic Inequality, and Poverty: The United States in Comparative Perspective". Paper presented at the "Inequalities and American Politics Conference" in Syracuse University.
http://www-cpr.maxwell.syr.edu/faculty/smeeding/pdf/campbell%20paper_5.17.04.pdf
Working Papers, Number 22.

Gallie, D., and Paugam, S. (2002) "Social Precarity and Social Integration". Report for the European Commission Directorate-General Employment Eurobarometer 56.1.

Atkinson (1998) "Poverty in Europe". Oxford: Blackwell Publishers.

-Banks, J., Marmot, M., Oldfield, Z., and Smith, J.P. (2006) "Disease and Disadvantage in the United States and in England". *JAMA*, Vol. 295, Number 17.

Smeeding, T., L. rainwater and G. Burtless 2001 "US Poverty in a Cross-National Context" in *Understanding Poverty* (S. Danziger and R. Haveman Eds.) Russell Sage Foundation & Harvard University Press.

Lecture 2 (September 29) — Childhood and Family

Required Readings:

Ch. Schluter and S.P. Jenkins 2003 "Why Are Child Poverty Rates Higher in Britain than in Germany?" , *Journal of Human Resources* , vol. 38, 441- 465.

Case, A. and C. Paxson Children's Health and Social Mobility *The Future of Children*, Vol. 16, No. 2, Opportunity in American (October 2006) pp. 151-173

Ginther and Pollak (2003). "Does Family Structure Affect Children's Educational Outcomes?," NBER Working Papers 9628

Bjorklund, A., Ginther, D.K. and Sundstrom, M. (2004). Family structure and child outcomes in the United States and Sweden, IZA DP No.1259.

Kamerman, S.B., Neuman, M., Waldfogel, J., & Brooks-Gunn, J. (2003, May). Social policies, family types and child outcomes in selected OECD Countries. Social, employment and migration working papers No. 6. Paris, France: Organization for Economic and Co-operative Development. (Skim)

Recommended Background Readings

Chapple, S. (2009), 'Child Well-being and Sole-Parent Family Structure in the OECD: An. Analysis', OECD Social, Employment and Migration Working Papers N.82.

Case, A., D. Lubotsky, and C. Paxson Economic Status and Health in Childhood: The Origins of the Gradient *American Economic Review*, December 2002, v. 92, iss. 5, pp. 1308-1334

McLanahan, Sara 2004 "Diverging Destinies: How Children Are Faring Under the Second Demographic Transition", *Demography* November 2004.

Libertad Gonzalez. 2006 "The Effect of Benefits on Single Motherhood in Europe." *Labour Economics*.

Gruber, J. (2004). Is making divorce easier bad for children? The long run implications of unilateral divorce, *Journal of Labor Economics*, Vol.22 (4), pp. 799-834.

A. Lareau, 2002. "Invisible Inequality: Social Class and Childrearing in Black Families and White Families." *American Sociological Review* 67 (October):747-776.

Patrick Heuveline, Jeffrey M. Timberlake and Frank F. Furstenberg "Shifting childrearing to Single mothers: results from 17 Western Countries", *Population and Development Review* 29 (1): 47-71

Kiernan, K. (2006) 'Non-residential Fatherhood and Child involvement: evidence from the Millennium Cohort Study', *Journal of Social Policy* 35: 651-669.

John Hills, John, Julian Le Grand and David Piachaud (Eds.) (2002) *Understanding Social Exclusion*. Oxford: OUP. Chapter 9: Child Poverty.

Gunnar Andersson 2002. Children's experience of family disruption and family formation: Evidence from 16 FFS countries, *Demographic Research*.

Ch. Schluter, S.P. Jenkins, and G. Wagner 2003. The dynamics of child poverty: Britain and Germany compared", *Journal of Comparative Family Studies* 34 (3).

Bruce Bradbury, Stephen P. Jenkins, John Micklewright (Eds.) 2001. *The Dynamics of Child Poverty in Industrialised Countries*, Cambridge University Press.

Lecture 3 (October 6) – Education

Required Readings

Heckman, J. J. "Schools, Skills, and Synapses", Fall 2008. *Economic Inquiry*, 289-324.

Krueger, Experimental estimates of education production functions, *The Quarterly Journal of Economics* 114 (2) (1999), pp. 497–532

Hanushek, Eric A., The Failure of Input Based Schooling Policies. *The Economic Journal*, Vol. 113, pp. F64-F98, 2003

Crul, Maurice, Hans Vermeulen (2003) "The Second Generation in Europe"
International Migration Review 37 (4).

Machin, S. Education and Inequality (Chapter 17) In Wiemer Salverda, Brian Nolan, Timothy M. Smeeding (editors, 2009): *The Oxford Handbook of Economic Inequality*. Oxford University Press. (Read p. 406-419)

Recommended Background Readings

Stephen Machin (2008) 'The New Economics of Education: Methods, Evidence and Policy', *Journal of Population Economics* 21: 1-19

Flavio Cunha and James J. Heckman "The Economics and Psychology of Inequality and Human Development," *Journal of the European Economic Association*, MIT Press, vol. 7(2-3), pages 320-364

Claudia Goldin and Lawrence F. Katz, (2008) *The Race between Education and Technology*. Cambridge, MA: Harvard University (Chapters 1, 4, 5, 6, & 7)

OECD (2006). "Where Immigrant Students Succeed: A Comparative Review of Performance and Engagement in PISA 2003".(skim)

Dronkers, J., 1994. "The Changing Effects of Lone Families on the Educational Attainment of their Children in a European Welfare State." *Sociology* 28:171-192.

Timmerman Christiane, Els Vanderwaeren and Maurice Crul (2003) "The Second Generation in Belgium" *International Migration Review* 37 (4).

Herzog-Punzenberger, Barbara (2003) "Ethnic Segmentation in School and Labor Market — 40 Year Legacy of Austrian Guestworker Policy" *International Migration Review* 37 (4).

Orfield, G. (2001) "Schools More Separate: Consequences of a Decade of Resegregation". Harvard University Civil Rights Project.

Lecture 4 (October 13) – Labor Market and Wages

Required Readings:

Thomas Lemieux, 2008. "The changing nature of wage inequality," *Journal of Population Economics*, Springer, vol. 21(1), pages 21-48, January

Card, D. and DiNardo, J.E. (2002b), "Technology and U.S. Wage Inequality: A Brief Look," Federal Reserve Bank of Atlanta Economic Review, 87: 45-62 (Skim)

Thomas Piketty and Saez, Emmanuel. 2006. "The Evolution of Top Incomes: A Historical and International Perspective," *American Economic Review* 96 (2): 200—205.

Claudia Goldin and Lawrence F. Katz, (2008) *The Race between Education and Technology*. Cambridge, MA: Harvard University (Chapters 8 & 9)

Alison L Booth, Juan J. Dolado, Jeff Frank. 2002. "Symposium on temporary work: Introduction" *Economic Journal* Vol. 112 Issue 480

Adsera, A. 2005. "Vanishing Children: From high Unemployment to Low Fertility in Developed Countries", *American Economic Review P&P* 95 (2): 198-193.

Recommended Background Readings

John DiNardo & David S. Lee, 2004. "Economic Impacts of New Unionization On Private Sector Employers: 1984-2001," *The Quarterly Journal of Economics*, MIT Press, vol. 119(4), pages 1383-1441, November

David Card & John E. DiNardo, 2002. "Skill-Biased Technological Change and Rising Wage Inequality: Some Problems and Puzzles," *Journal of Labor Economics*, University of Chicago Press, vol. 20(4), pages 733-783, October

Alicia Adsera and Carles Boix. 2000. "Must We Choose? European Unemployment, American Inequality and the Impact of Education and Labor Market Institutions," *European Journal of Political Economy* 16 (November): 611-638.

Katz, L. et al. Changes in the wage structure and earnings inequality. In *Handbook of labor economics*, ed. by O. Ashenfelter et al., vol. 3, pt. 1, chapt. 26, pp. 1464-1555

Katz, Lawrence F & Murphy, Kevin M, 1992. "Changes in Relative Wages, 1963-1987: Supply and Demand Factors," *The Quarterly Journal of Economics*, MIT Press 107, 35-78.

Lee, David S. 1999. Wage inequality during the 1980s: Rising dispersion or falling minimum wage? *Quarterly Journal of Economics* 114 (August): 977-1023

Freeman, R. (ed.) 1993 *Working under Different Rules*, Russell Sage Foundation: NY. Chapters 1, 2, 3 & 5.

Dinardo, J. et al. Labor market Institutions and the distribution of wages, 1973-1992 *Econometrica*, vol. 64, no. 5, September 1996, pp.1001-44

OECD Employment Outlook 2004.

Chapter 2: Employment protection regulation and labour market performance

Olivier Blanchard and Augustin Landier 2002. "The Perverse effects of partial labour market reform: Fixed-term contracts in France" *Economic Journal* Vol. 112 Issue 480

Juan J. Dolado, Carlos García-Serrano, Juan F. Jimeno 2002 "Drawing Lessons from the boom of temporary jobs in Spain" *Economic Journal* Vol. 112 Issue 480

Olivier Blanchard. 2004 "The Economic Future of Europe" *Journal of Economic Perspectives*, V18 Issue 4.

Gilles Saint-Paul 2004 "Why are European Countries Diverging in their Unemployment Experience?" *Journal of Economic Perspectives*, V18 Issue 4.

E. Saez, "Income Concentration in a Historical and International Perspective", published in ed. A. Auerbach, D. Card, and J. Quigley, *Public Policy and Income Distribution*, 2006 (link available at [Income and Wealth Inequality papers by Saez](http://elsa.berkeley.edu/~saez/))

<http://elsa.berkeley.edu/~saez/>)

OECD Employment Outlook 2004.

Chapter 4: Improving skills for more and better jobs: does training make a difference?

Lecture 5 (October 20) - Intergenerational Mobility, and Market Failures

Required Readings:

Debraj Ray, *Development Economics*. Princeton University Press. Chapter 7.28 & 7.2.9 (p. 226-238)

Jantti, Markus, Bratsberg, Bernt, Roed, Knut, Raaum, Oddbjorn, Naylor, Robin A., Osterbacka, Eva, Bjorklund, Anders and Eriksson, Tor, American Exceptionalism in a New Light: A Comparison of Intergenerational Earnings Mobility in the Nordic Countries, the United Kingdom and the United States (January 2006). IZA Discussion Paper No. 1938.

Bowles, Samuel, and Herbert Gintis. 2002. "The Inheritance of Inequality." *Journal of Economic Perspectives*, Summer 16(3): 3–30

Nathan D. Grawe and Casey B. Mulligan (2002) Economic Interpretations of Intergenerational Correlations, *Journal of Economic Perspectives* (pp. 45-58)

Gary Solon (2002) Cross-Country Differences in Intergenerational Earnings Mobility, *Journal of Economic Perspectives*, Summer (pp. 59-66)

Dustman, C. (2004), "Parental Background, Secondary School Track Choice and Wages, *Oxford Economic Papers* 56, pp. 209-230. (Skim results)

John Ermisch, Marco Francesconi, Thomas Siedler. 2006 "Intergenerational Economic Mobility and Assortative Mating" *Economic Journal*, 116 (513), 659-679 (Skim results, a bit too technical)

Recommended Readings

Glenn C. Loury (1981), "Intergenerational Transfers and the Distribution of Earnings." *Econometrica* 49:843-67 (1981).

Becker, G. and Tomes, N. (1979) An Equilibrium Theory of the Distribution of Income and Intergenerational Mobility, *Journal of Political Economy* 87 (6): 1153-89.

Becker and Tomes (1986). "Human Capital and the Rise and Fall of Families," *Journal of Labor Economics*, Volume 4(3), Part 2: S1-S39

Banarjee and Newman, (1993) Occupational Choice and the Process of development, *Journal of Political Economy* 101 (2): 274-98.

Anders Bjorklund and Jantti, Markus, Intergenerational Income Mobility and the Role of Family Background (Chapter 20) In Wiemer Salverda, Brian Nolan, Timothy M. Smeeding (editors, 2009): *The Oxford Handbook of Economic Inequality*. Oxford University Press.

J.N. Hobcraft and K.E.Kiernan (2001) Childhood Poverty, Early Motherhood and Adult Social Exclusion. *British Journal of Sociology* 52:495-517

Robert Erikson and John H. Goldthorpe (2002) Intergenerational Inequality: A Sociological Perspective *Journal of Economic Perspectives*, Summer (pp. 31-44)

Lecture 6 (October 27) - Inequality, growth and Development

Required Readings:

Perotti, R. (1996). Democracy, income distribution and growth: What the data say, *Journal of Economic Growth*, 1, June, 149-187.

Forbes, KJ (2000). A reassessment of the relationship between inequality and growth, *American Economic Review*, September, 90(4), 869-887.

Solokoff, KL and S. Engerman. 2000. 'Institutions, Factor Endowments, and Paths of Development in the New World.' *Journal of Economic Perspectives* 14: 217-32

Boix, Carles (2009) The Conditional Relationship between Inequality and Development, *Political Studies*, October. (Still in press, I have a copy)

Bourguignon, François and Morrisson, Christian.2002. "Inequality Among World Citizens: 1820-1992," *American Economic Review* 92: 727—744.

Sala-i-Martin, Xavier. 2006. "The World Distribution of Income: Falling Poverty and...Convergence, Period," *Quarterly Journal of Economics* 121: 351-397.

Branko Milanovic. 2007. *Worlds Apart: Measuring International and Global Inequality*. Princeton University Press. (TBD pages in Part 3).

Recommended Background Readings

Kuznets, S. (1963). Quantitative Aspects of Growth in Nations. VIII: The Distribution of Income by Size. *Economic Development and Cultural Change*, 11, 1–80

Peter Gottschalk; Timothy M. Smeeding. 1997. "Cross-National Comparisons of Earnings and Income Inequality ," *Journal of Economic Literature*, Vol. 35 (2): 633-687.

Branko Milanovic, Peter H. Lindert and Jeffrey G. Williamson. 2007. "Measuring Ancient Inequality," NBER Working Papers # 13550.

Jeffrey G. Williamson. 1998. "Globalization and the labor market: using history to inform policy." In Philippe Aghion and Jeffrey G. Williamson. *Growth, Inequality and Globalization*. New York: Cambridge University Press. Pages 105-200.

E. L. Glaeser, R. La Porta, F. Lopez-de-Silanes and A. Shleifer ,Do Institutions Cause Growth? , *Journal of Economic Growth*, Volume 9, Number 3 / September, 2004, p. 271-303.

Acemoglu, Johnson and Robinson (2004) "Colonialism, Inequality and Long-Run paths of Development" in Banarjee and R. Benabou (eds.) *Understanding Poverty*, Oxford University Press

Deininger, Klaus and Lyn Squire (1996). A new data set measuring income inequality. *World Bank Economic Review*, 10(3), September, 565-91.

Banerjee, Abhijit V & Duflo, Esther, 2003. " Inequality and Growth: What Can the Data Say?," *Journal of Economic Growth*, Springer, vol. 8(3), pages 267-99

Lindert, Peter H. 2000. "Three Centuries of Inequality in Britain and America." In A.B. Atkinson & F. Bourguignon, eds. *Handbook of Income Distribution*. North Holland. Chapter 3.