

POL 3410 (2): The Politics of Economic Inequality in the USA and Europe
Fall 2011 Tu/Th 2:30-3:45 Anderson 350

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Course Outline

In the United States today, the gap in incomes between rich and poor, indeed the gap in incomes between the top one percent of the population and those at the 95th percentile (between the super rich and the affluent) is higher than at any time since the Wall Street Crash. Inequality is increasing not just in income but in the value of Americans' assets, their housing, their education, and their health. Whether this is a fair and natural outcome of free markets or a sign of a developing 'oligarchy' is a matter of much heated debate but it is perhaps the most fundamental change in American life over the last half century. At the same time, many European countries like England and Ireland have seen a massive surge in inequality, whereas others like Sweden and Germany have witnessed little change. In some ways America and Europe are growing apart; in other ways they are becoming more alike. On top of these changes in the industrial world, the rise of new global economic powers like China and India is reshaping the global distribution of income and wealth, often in ways that undermine or bolster the welfare of different Americans and Europeans.

This class is intended to help you understand the causes and consequences of economic inequality in the USA and Europe. The class is explicitly comparative – we will address both America and European countries in contrast to one another, with our aim being to understand what differences there are and whether they matter. We begin the class in Section A by discussing inequality in general. What is inequality? How do we measure it? Where did it come from? We examine the long historical record of inequality, from egalitarian hunter-gatherers through to the factory system of *Oliver Twist* up to the 'Great Compression' of the mid 20th century. We then turn to normative questions – is inequality a good thing? Or is it malign?

With a broad sense of what inequality is and whether it matters we then turn in Section B to examine inequality in contemporary America. We do so first by examining the distribution of income and resources in the USA and looking at economic reasons for the recent surge in inequality. We then turn to possible political causes of inequality and to its political consequences. Next we examine the degree to which economic inequality in America is a function of racial and gender inequality. Finally, we examine what Americans themselves think of inequality. Do we care about it? Even if we do care, do we understand how much inequality there is?

Section C moves to examine inequality in Europe. We begin by spending a week examining Europe in light of the American experience. Why is inequality so much lower in Europe than America? Are European countries becoming more like America? We then turn to examining differences among European countries in their levels of inequality and explore some reasons that different countries have taken various paths. As with the USA, we then turn to three questions. What are the political consequences of inequality in Europe, how do racial and gender differences play out in terms of inequality, particularly given Europe's mixed experiences with immigration, and what do Europeans themselves think of inequality and the government's attempts to reduce it?

Section D concludes the course by turning outside of the industrial world to look at changes in rising global powers in the developing world, particularly focusing on China and India. Are these countries reducing or increasing global inequality? Are the urban areas in these countries thriving at the expense of rural areas? What about smaller and poorer developing countries like those in Sub-Saharan Africa?

Requirements:

The course has three assignments: a midterm worth 25%, a paper worth 35%, and a final exam worth 40%. The midterm (11/1) and the final (12/19) will be a mixture of short questions and longer essays. The paper requirement is for a ten-page research paper that compares an aspect of inequality in America and at least two other countries and is due by 4pm on (12/15) by email to myself and Marcela.

Students should choose to answer one of the ten questions attached to this syllabus. If you wish to choose a different question of your own creation you must clear it with me by (12/1)

Course Website:

The Moodle website is available at <https://moodle.umn.edu/course/view.php?id=15276>. A copy of the syllabus and links to all the non-book readings and slides (after class) are available there.

Books for Purchase:

There are three books for purchase in the course. All other readings will be available on the Moodle website.

Larry Bartels, *Unequal Democracy*

Alberto Alesina and Edward Glaeser, *Fighting Poverty in the USA and Europe*

Branco Milanovic, *The Haves and the Have Nots*

PART A: What is Inequality?

Week One (9/6, 9/8): Introduction: Concepts and Background

Timothy Noah, Series in *Slate* on Inequality 'The Great Divergence'

Milanovic, Chapter 1 pages 3-32, Vignettes 1.1, 1.2, 1.3, 1.10

Week Two (9/13, 9/15): The Rich and the Poor since 10,000BC

Jared Diamond *Guns, Germs, and Steel*, Excerpts

Gregory Clark, *Farewell to Alms*, Chapter One

Chrystia Freeland, 'The Rise of the New Global Elite,' *Atlantic Monthly* Jan/Feb 2011

Don Peck, 'Can the Middle Class be Saved?' *Atlantic Monthly*, Sep 2011.

Week Three (9/20, 9/22): Is Inequality Good or Bad? Theories

Jonathan Wolff, *An Introduction to Political Philosophy*, Chapter Five

Amartya Sen, *Inequality Reexamined*, Chapter One

Milton Friedman and Rose Friedman, Chapters One, Five

TH Marshall, 'Citizenship and Social Class'

Week Four (9/27, 9/29): Is Inequality Good or Bad? Applications

Christopher Jencks, "Does Inequality Matter?" *Daedalus* (winter 2002): pp. 49-65.

Lane Kenworthy, *Jobs with Equality*, Chapter Two

Milanovic, Vignette 1.5, 1.7

Lawrence Mead, 'The New Politics of the New Poverty'

Philipp van Parijs 'Basic Income and the Two Dilemmas of the Welfare State'

PART B: Inequality in America

Week Five (10/4, 10/6): Income and Wealth Inequality in America

Larry Bartels, *Unequal Democracy*, Chapter One

Emmanuel Saez, 'Striking it Richer: The Evolution of Top Incomes in the United States'

Janny Scott and David Leonhardt 'Class Matters: Shadowy Lines that Still Divide', *New York Times*

David Brooks, *Bobos in Paradise*, Excerpts

Week Six (10/11, 10/13): Politics and Income Inequality

Unequal Democracy, Larry Bartels, Chapters Two, Three, Eight, Nine, Ten

Raghuram Rajan, *Fault Lines*, Introduction.

Benjamin Page and Jeffrey Winters, 'Is America an Oligarchy?' *Perspectives on Politics*, 2010.

Week Seven (10/18, 10/20): What do Americans think about Inequality?

Unequal Democracy, Larry Bartels, Chapters Four, Five, Six, Seven

Week Eight (10/25), (10/27): Race, Gender and American Inequality

Martin Gilens, 'How the Poor Became Black'

Alesina and Glaeser, pages 133-166 (most of Chapter 6).

Francine Blau and Lawrence Kahn 'The Gender Pay Gap'

IN CLASS MIDTERM: 11/1

PART C: Inequality in Europe

Weeks Nine and Ten (11/3, 11/8, 11/10): Why is Europe different from America? What are the Differences in Europe?

Alesina and Glaeser, Chapters 1, 2 and 3

Milanovic, Vignette 3.3

T. R. Reid, *United States of Europe*, Chapter Six

Bo Rothstein, *Just Institutions Matter*, Chapter Six

Gøsta Esping-Andersen, *Three Worlds of Welfare Capitalism*, Chapters One and Two

Week Eleven (11/15, 11/17): Politics and Inequality in Europe

Alesina and Glaeser, Chapters 4 and 5

David Rueda, 'Insider-Outsider Politics in Industrialized Economies'

Tony Judt, 'The End of Social Democracy?'

Week Twelve (11/22): What do Europeans Think of Inequality?

Alesina and Glaeser, Chapter 7

Week Thirteen (11/29, 12/1): Race and Migration in Europe

Robert Lieberman, 'Race and the Limits of Solidarity', *The American Welfare State in Comparative Perspective*.

Rogers Brubaker, *Citizenship and Nationhood in France and Germany*, Excerpts.

Erik Bleich, 'Racism without Races: Politics and Policy in a Color-Blind State'

Alesina and Glaeser, pages 166-181 (end of Ch 6)

PART D: Global Inequality

Weeks Fourteen and Fifteen (12/6, 12/8, 12/13)

What is Global Inequality? And Who are the New Winners and Losers?

Branko Milanovic, *The Haves and the Have Nots*, Vignette 1.9, Chapters 2 and 3.

Lant Pritchett, 'Divergence Big Time', *Journal of Economic Perspectives*

FINAL EXAM: Monday 19th December, 8:00 – 10:00

PAPER QUESTIONS

Students must write a ten page paper, including original research, addressing one of the ten questions below. The paper must compare an aspect of inequality in the USA and at least two other countries.

1. Why is pre-tax income inequality much higher in the USA than in most other advanced industrial countries?
2. Why does the US have lower levels of redistribution than most other advanced industrial countries?
3. How do American political parties respond to inequality differently than political parties elsewhere? Why does this difference exist?
4. How well are Americans' views on inequality represented by their government? Are there important differences, or not, with the relationship between citizens and the government elsewhere and why so?
5. What is the role of economic elites in America compared to elsewhere? Who makes up this elite? What explains any differences you find?
6. How important is racial group identity in America versus elsewhere in explaining the size of government?
7. Compare the immigration frameworks of America and other countries? What impacts do different immigration systems have on both inequality and on the political response to immigration?
8. Are all countries following the same long historical path in terms of inequality or are there important differences in their experiences that will produce different levels of inequality once countries have developed?
9. How important is the education system of America in determining economic inequality as opposed to the structure of education in other countries?
10. Are inequality in America and inequality in developing countries connected?