# The Political Economy of Inequality
## POLS 8040
## Fall 2019

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This course studies the interaction between governments and economies. The primary focus is on the political economic issues surrounding economic inequality. Economic inequality has received an enormous amount of scholarly attention. The politics of inequality has been heating up too. This course is an introduction to that scholarly literature. We will examine the economic forces generating inequality and the political forces reducing or increasing it. Specifically, this course will consider the recent emergence of a political economy literature that seeks to understand, within a unified theoretical framework, the politics of distribution and redistribution. The goals of the course are threefold: (1) to survey some important themes orienting current political economic scholarship on inequality, (2) to explore the tools needed to understand the scholarly literature on this topic, and (3) to develop intuitions about the way the relation between government and the economy can be modeled in order to guide independent research. The economics prerequisite for the course is the ability (if not the desire) to balance your checkbook. The mathematics prerequisite is high school algebra. As necessary, we will develop (or review) the calculus tools needed for some of the material.

These required books are available at the University Bookstore:

Arthur M. Okun, *Equality and Efficiency*: *The Big Trade Off*

Thomas Piketty, *Capital in the Twenty-First Century* [P].

This book is on reserve at the Main Library:

Alpha C. Chiang and Kevin Wainwright, *Fundamental Methods of Mathematical Economics* (2005)

*Fundamental Methods* is a very good place to get a math refresher and any mathematical background you may be missing (the most important topic is optimization subject to a constraint). Of course, math is math, so feel free to refer to any source that works for you.

The following is a guide to the assignments. The date given is the date due. Note that the course syllabus is a general plan for the course; deviations

announced to the class by the instructor may be necessary. In fact, it is very likely that we will adjust the assignments depending on the pace we are able to maintain.

I. Introduction

August 20

II. The Growth-Efficiency Tradeoff

August 27: Okun

III. Math Review

September 3: A Calculus (Very) Short Course

IV. A Classic Political Economy Model—The Right-Hand Derivative (inside joke)

September 10:
Allan H. Meltzer and Scott F. Richard. 1981. "A Rational Theory of the Size of Government." *Journal of Political Economy* 89(October):914-27

http://johnhcochrane.blogspot.com/2015/12/smith-meet-jones.html#more

V. A Classic Political Economy Model—The Left-Hand Derivative (inside joke)

September 17:
Adam Przeworski and Michael Wallerstein. 1982. "The Structure of Class Conflict in Capitalist Societies." *American Political Science Review* 76(June):215-38.

http://noahpinionblog.blogspot.com/2015/12/efficiency-in-growths-clothing-reply-to.html

VI. Unequal Incomes Across Nations: The Solow Growth Model

September 24 & October 1:

https://corporatefinanceinstitute.com/resources/knowledge/economics/solow-growth-model/
[note: Assumption 2 should read $C = (1 - s)Y$]

http://www3.nd.edu/~esims1/solow_model.pdf

You should then try:

http://www2.econ.iastate.edu/classes/econ302/alexander/Spring2006/
SOLOW/SOLOWGROWTHMODEL.htm

[Note: $\delta f/\delta k$ should be $\partial f/\partial k$]

http://www.hoover.org/sites/default/files/jones-facts040.pdf

VII. *Capital in the Twenty-First Century*

October 8 & 15: P, Introduction and Part One

You may find these readings helpful:

http://piketty.pse.ens.fr/files/capital21c/en/Piketty2014TechnicalAppendix.pdf,
particularly pp. 28, 59, and 60-62

http://piketty.pse.ens.fr/en/teaching/10/25

as well as parts of

http://piketty.pse.ens.fr/fichiers/Piketty2010WP.pdf

http://piketty.pse.ens.fr/files/PikettyZucman2014QJE.pdf

October 22: P, Part 2

October 29: P, Part 3

November 5 & 12: P, Part 4

VII. Out of the Readings

November 19: discussion of papers

VIII. Assessments of *Capital in the Twenty-First Century*

November 26 & December 3:
Daron Acemoglu and James Robinson. 2015. "The Rise and Decline
of General Laws of Capitalism." *Journal of Economic
Perspectives* 29(Winter):3-28

Charles I. Jones. 2015. "Pareto and Piketty: The Macroeconomics of
Top Income and Wealth Inequality." *Journal of Economic
Perspectives* 29(Winter):29-46

N. Gregory Mankiw. 2015. "Yes, $r > g$. So What?" *American
Economic Review* 105(May):43-47

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Thomas Piketty. 2015. "Putting Distribution Back at the Center of Economics: Reflections on Capital in the Twenty-First Century." *Journal of Economic Perspectives* 29(Winter):67-88

**December 4: PAPER DUE BY 5:00 PM** (email a *Word*® version)

**Problem Sets**

Occasionally, problem sets will be distributed at the end of class. They will be due the following class.

**Paper**

There are four versions of the research paper assignment. One, your paper can be a literature review tracing the development of one particular research question. You should not simply describe but analyze, indicating the strengths and weaknesses of the readings and suggestions for further research. Two, it can be a theoretical paper in which you develop or extend a political economic model. Three, it can be an empirical paper testing hypotheses you have carefully embedded in a theoretical context. In other words, the theoretical motivation for the hypothesis should be clear and detailed, going beyond appeals to intuition or folklore and, instead, with formal or least documented support in the literature. Four, you can combine the second and third by deriving conclusions from a model and testing them. In all cases, the paper will be judged by the usual criteria for these projects: originality, depth of analysis, elegance, the plausibility of the explanation, and the substantive significance of the conclusion(s). I expect that your choice of paper type will be strongly influenced by your individual background and level of preparation. Choose something you can do, but also something that represents a challenge. Use the *American Political Science Review* reference format. You are strongly encouraged to see me well in advance of the due date to discuss your paper.

**Grades**

Your grade for the semester will be based on a weighted average of your grades on the problems sets (25%), class participation (15%), and paper (60%).

The final calculation of your course grade is based on:

$92 \leq$ **A** $\leq 100$; $90 \leq$ **A-** $< 92$; $87$ **B+** $< 90$; $82 \leq$ **B** $< 87$; $80 \leq$ **B-** $< 82$; $77 \leq$ **C+** $< 80$; $70 \leq$ **C** $< 77$; $68 \leq$ **C-** $< 70$; $60 \leq$ **D** $< 68$; **F** $< 60$.

Finally, all academic work must meet the standards contained in "A Culture of Honesty." Students are responsible for informing themselves about those standards before performing any academic work. If there is any doubt in your mind concerning the application of some regulation, you should see me. Otherwise assume the broadest interpretation of dishonesty.