INEQUALITY, POVERTY, AND WEALTH

Spring 2014
Thursdays, 2:30 – 5:30pm
Old Mill 340

Professor Stephanie Seguino
Telephone: 802.656.0187
Office: Old Mill 340
Website: www.uvm.edu/~sseguino
Office hours: M and W, 3-4pm

This course explores how the discipline of economics can be used to analyze the causes and effects of intergroup inequality as well as the determinants of wealth and poverty. The material we cover takes a decidedly macroeconomic focus, emphasizing group and cross-country differences in well-being. Students will be introduced to ways to measure inequality, wealth, and poverty and to economic theories that attempt to explain these phenomena. We will examine the relationship between inequality and macroeconomic outcomes, with an emphasis on understanding the causes of the rise in inequality since. Finally, we explore a variety of policy solutions to reduce poverty and inequality between groups and countries. Students will complete a number of assignments that will help to develop facility accessing and presenting data on inequality.

Required Texts


Subscription to New York Times. Call (888) 698-2655 to order a subscription or visit: www.nytimes.com/colleague. Monday through Friday is $3.50/week with free digital access, or a digital only subscription for $1.88 per week.

Attendance and Classroom Etiquette

Students are expected to be on time, to have read the assigned material before arriving to class, and to participate fully in class discussions. You should bring copies of assigned readings to class and your weekly reaction papers to facilitate this. Absences are costly. In a seminar course, a preponderance of learning occurs during our meetings. You get one get-of-jail-free card. Beyond that, a second absence will each result in a loss of a full letter grade. Three or more absences will result in a failing grade for the course. Late arrivals and early departures count as absences.

All materials for this course, beyond the assigned required books, can be found on Blackboard [BB]. Announcements for changes to the syllabus or the schedule outlined below will be posted on BB as well. You should make sure your UVM email account is active and that you check it regularly in order to keep up with class announcements.

Late assignments are not accepted; no exceptions. Computers and cell phones are to be turned off during class.
Please feel free to see me during office hours. Please do not use email to communicate except to document a medical emergency.

Course Outline and Tentative Schedule

Required readings are identified. Some of the recommended readings (though not all) will be covered in lectures and also represent suggestions for exploration in your papers. I will ask (in advance) for volunteers to read some of them and to comment in class on their content and relationship to assigned readings. Note that Albelda and Drago is abbreviated as A&D. Readings are due on the date they are listed.

I. Introduction to Concepts and Measurement

| January 16 | Introduction |
| January 23 | Poverty |
| January 30 | Wealth |
| February 6 | Inequality |

II. Intergroup Inequality and Theories of Stratification

| February 13 | Theories of Income Distribution |
| February 20 | Racial Inequality |
| February 27 | Gender Inequality |

III. Structural Causes and Effects of Recent Trends in Inequality and Poverty

| March 13 | Globalization and Inequality |
| March 20 | The Global Food Crisis |
| March 27 | Macroeconomic Effects of Inequality |

IV. What Is to Be Done? Public Policy Solutions

| April 3 | Minimum Wages and Social Protection |
| April 10 | Taxes and Public Investment |
| April 17 | Macroeconomic Policies to Promote Equity with Growth |
| April 24 | Wrap-up |

READING ASSIGNMENTS

I. Introduction to Concepts and Measurement

<table>
<thead>
<tr>
<th>January 16</th>
<th>Introduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Inequality of what? Poverty of what?</td>
<td></td>
</tr>
<tr>
<td>• Why do we care?</td>
<td></td>
</tr>
<tr>
<td>• Graphical representations of inequality, poverty, and wealth</td>
<td></td>
</tr>
<tr>
<td>• Theoretical framework: Individual deficits versus structural constraints</td>
<td></td>
</tr>
<tr>
<td>• Video on the role of institutions: “Surviving Progress.” (75 minutes).</td>
<td></td>
</tr>
<tr>
<td>• In-class assignment: Essay on your own socioeconomic status (30 minutes).</td>
<td></td>
</tr>
</tbody>
</table>

Reading assignment

January 23  
**Poverty**
- What is poverty? How is it measured?
- Who are the poor?
- Is poverty multidimensional?
- Is most poverty only temporary?
- Have we made progress in reducing poverty?

**Reading assignment**
- Deaton, Chs. 1 and 2.
  [http://www.irp.wisc.edu/faqs/faq2.htm](http://www.irp.wisc.edu/faqs/faq2.htm)

**Recommended**

January 30  
**Wealth and the Top 1%**
- How is wealth measured and how does it differ from income?
- What are recent trends in wealth inequality?

**Reading assignment**
- Dalton, Ch. 1.
- Dollars and Sense, “Wealth Inequality by the Numbers.” [BB]
Recommended


February 6  Inequality

- How is inequality measured?
- How much inequality is there?
- Has income inequality increased mainly because the rich have gotten richer?
- Is income inequality intergenerationally transmitted?
- Does inequality make other things worse?

Reading assignment


Recommended


February 13  Theories of Income Distribution

- What is human capital theory?
- How is discrimination defined and assessed?
- How does the neoclassical model of discrimination compare to the political economy model?
- What is the role of segregation in producing intergroup inequality?
- What is skill-biased technological change and can it explain inequality trends?

Reading assignment

- A&D, Chs. 3, 4, 5, 67, 8.
February 20       Racial Inequality

- What are the determinants of racial economic inequality?
- How does spatial segregation contribute to racial/ethnic inequality?
- Has racial inequality diminished?

Reading assignment
- Dalton, Chs. 2-4.

Recommended
- Implicit Association Test, https://implicit.harvard.edu/implicit/


**Recommended**


---

**March 13 — Economic Growth, Globalization, and Inequality**

• Is economic growth the solution to poverty reduction?
• What is the growth elasticity of poverty?
• Has globalization worsened income inequality?
• What has been the impact of globalization on wages and the quality of work?

**Reading assignment**

• Deaton, Chs. 3 and 6.


**Recommended**


---

**March 20 — The Global Food Crisis**

• What IS the global food crisis (and how come you haven’t heard about it)?
• How is it related to poverty and well-being?
• What are its causes and solutions?

**Reading assignment**


Recommended

- “Vandana Shiva on the Global Food Crisis.” http://www.youtube.com/watch?v=6KfvYjZ5fyw
- “The Global Food Crisis.” http://www.youtube.com/watch?v=x3vpDqzz5mo

March 27 Macroeconomic Effects of Inequality

- Does inequality affect the rate of economic growth? What about gender inequality?
- If so, by what pathways is inequality transmitted to macroeconomic variables?

Reading assignment


Recommended


April 3 Minimum Wages and Living Wages

- What is the impact of higher minimum wages on poverty?
- Do higher minimum wages hurt the people they are supposed to help?
- How do living wages differ from the minimum wage?
- What will be the impact of the proposed $15/hour minimum wage in SeaTac, Washington and $12/hour in Vermont?

Reading assignment


Recommended Reading
April 10  
Taxes and Public Investment

- Can inequality be reduced through changes to rates of taxation?
- What is the impact of tax expenditures on well-being?
- Can higher taxes help to fund public investments that reduce inequality and poverty?
- What is the impact of tax expenditures on children’s education?
- Can economists use statistics to assess the effectiveness of social spending?

Reading assignment

- Deaton, Chs. 7 and 8.
- Kentworthy, Lane. 2013. “Early Education.” [Link]
- Duflo, E. 2010. “Social Experiments to Fight Poverty.” [Based on her book, Poor Economics], [Link]

Recommended


April 17  
Macroeconomic Policies to Promote Equity with Growth

- Can tax reform help to reduce inequality? If so, what type of reform?
- Are full employment policies beneficial for inequality and poverty reduction—and are they enough?
- How do we reduce wealth inequality, especially by race?

Reading assignment

- Dalton, Ch. 6.

April 24  
Wrap-up

- Is poverty and inequality inevitable under capitalism?
- Should we strive for equality of opportunity or equality of outcomes?
- Discussion of Assignment Four

Reading assignment

- UNDP. 2013. “A Policy Framework for Addressing Inequality in Developing Countries.” [BB]
GRADING

Student obligations include the following components with weights to be used in calculating the final course grade.

a. **Four assignments** [see below for descriptions; these are illustrative assignments for which some details may change before the assignment and due date are official announced in class and on BB] (21%).

b. **Weekly Reading Reflections** Students will be expected to read all required reading and come to class, prepared to discuss the material. In preparation for class discussion each week, you will write reading reflections on the assigned reading, starting with the second week of the term. These should be about 350-500 words. These reading reflections should engage critically with the selected readings. You should develop an argument from the readings that discusses what you agree with from the readings and why, and/or what you disagree with, and why. You can discuss how the readings changed your views on the topic, what information or issues are new to you and how this has shaped your views of inequality, wealth, and poverty or what information has reinforced the views you’ve already held. Detailed guidelines for reflection papers are posted on BB. Papers that do not follow these guidelines will be returned the first time for revision and thereafter receive a grade of zero. Reading reflections are due electronically [to be uploaded in BB drop box] on Thursdays, before class begins. No late papers accepted. Reaction papers are 30% of your final grade.

c. **Class participation** Participation is not measured by the amount of airtime you consume. Rather, it is measured by the extent to which you come to class prepared and contribute constructively to the discussion. The question is, within the context of your participation style, were you prepared and engaged? I will use this rubric as a general guideline:

- (80-100 points) **Excellent Participation.** Community Member: attends class each week; consistently asks questions or makes observations that demonstrate deep reflection and analysis; engages actively and civilly in small group discussions and other in-class activities.
- (60-79 points) **Decent Participation.** Community Member: attends class each week: sometimes asks questions or makes observations that demonstrate deep reflection and analysis; generally engages actively and civilly in small group discussions and other in-class activities.
- (40-59 points) **Lackluster Participation.** Community Member: misses two or more classes; rarely asks questions or makes observations that demonstrate deep reflection and analysis; fails to engage actively and civilly in small group discussions and other in-class activities.
- (39 or below points) **Poor.** Community Member: misses three or more classes; clearly arrives to class unprepared and remains disengaged during discussions; does not engage civilly.

Class participation is 12% of your grade.

b. **Presentations.** Each student will make one brief in-class presentation to teach the class the contents of a short additional reading, using at least one mode in addition to verbally telling information (e.g., visual aid, hand-out, story-telling, interactive activity. If you use a Powerpoint, please bring it on a flash drive). Early in the semester, a schedule will be set up for these presentations, beginning with the second week of class. Presentations are 7% of your final grade.

c. **Final comprehensive exam** May 8, 130-415, 408 Lafayette. The final exam is worth 30% of your final grade.

**STUDENT RESPONSIBILITY**

I have tried to give you a good idea of what the course involves and the timetable on which we will work through the material. I reserve the right to change readings, times, and other aspects of the syllabus as needed, however. You are responsible for reading your syllabus to keep abreast of the schedule, and staying current on
any other changes to the syllabus, which will be announced in class and will also be communicated electronically to each of your UVM email addresses.
Assignment One

Write a brief reflective essay, telling the story of your own socioeconomic status. This is your opportunity to reflect on the ideologies, assumptions, experiences, and identities you carry with you into this class. The types of questions you might consider—and please don’t try to answer all of them—include:

- How do you identify economically? Are you poor, working class, middle class, wealthy, something else? How do you know?
- What, if anything, do you know about how your family ended up in its present economic condition? Were previous generations poorer or wealthier than your family?
- What messages did you receive growing up about what it meant to be the class identity you and your family had? What were the cues that let you know you belonged to a certain social class? Did you grow up in a neighborhood or area in which families were economically diverse or economically similar?
- What biases, prejudices, or other beliefs did you have growing up, or do you have now, about people who are poorer than you? What about people who are wealthier than you?
- Do you aspire to be financially wealthy?
- Would you say most of your friends are in the same socioeconomic bracket as you are?
- Again, do not try to answer all of these questions. Choose a couple and dig as deeply as possible.
- Be creative. Express yourself however you best express yourself. I want you to think as deeply and complexly as possible about this, even if you never have thought about it before. Dig, dig, dig.

Note that you will be asked to share your story, or as much of it as you are comfortable sharing, with classmates. Your story will be assessed on the extent to which you:

1. Demonstrate deep and complex reflection; and
2. Fashion, how you ended up in the socioeconomic status you now occupy.

Assignment Two

Instructions: The goal is for you to develop an understanding of what it is like to live in poverty by collecting information on the cost of a basic needs budget as compared to your actual budget (“Poverty Budgets”). This assignment is due electronically in the designated drop box on BB on January 30 by the beginning of class.

For this assignment, you will need to collect information on how much you usually spend per week or per month on food, rent/mortgage, utilities, clothes, etc. You can look at past expenses or simply keep track of all of them for one week. You will then have to figure out which items you would have to live without in order to live within a poverty budget.

1. Assume you live alone and are poor. This means your income is $209.42 per week or lower, and $907.50 per month or lower, and $10,890 per year or lower. All of your expenses, including rent, food, gas, utilities, insurance, transportation and parking expenses, clothing, tuition, books, and school fees, must be within these income limits. Assume you do not qualify for food stamps, medical benefits, or housing subsidies.

   - Could you live where you currently live? (Could you afford it?) If not, where would you have to live? (You need to look through the Sunday Housing section in the Burlington Free Press or in Seven Days).
   - What would you eat? Describe the food you could afford to buy, and what you would have to do without. Remember, this should be about $4.22 per day. When you go out shopping for food, price the items that would fill you for a week and stay within your budget. (Or if you live with others and someone else shops, keep the grocery receipt and notice what you would have to do without).
   - What expenses would you have to cut (gas, car, electricity, phone, subscriptions, college, etc.)? How would these cuts affect the quality of your life? Would it jeopardize your safety or security in any way?
2. In your opinion, after doing this assignment, is the poverty threshold (living on $209.42 per week for one person, or $282.89 per week for you and an infant) too low (meager) or too high (generous)? Explain your answer.

3. In a short paper (3-5 pages), summarize your responses to the above questions and present a detailed budget that outlines how much you are spending on housing, food, utilities, and all other expenses per month, year, or week.

Those of you who are adventurous can try to actually live on these budgets. But the non-adventurous can simply keep track of what adjustments you would need to make in order to live on this amount of money for one week.

**Assignment Three**

Gary Becker’s Theory of Discrimination (see A&D) predicts that, controlling for human capital, competition will tend to eliminate wage discrimination. In a 4-6-page paper with a partner, respond to the following question: Is there persuasive empirical evidence that racial and gender discrimination in wages has diminished over time as inequality in human capital narrows? Provide data to make your case. Rely on the recommended readings as well as required readings as sources of data.

**Assignment Four**

Write a 5-page paper to cover two related topics:

1. How has your thinking on the causes and solutions to inequality and poverty, and wealth distribution changed if at all, as a result of the material covered this semester?

2. What do you see as the most viable policies to reduce inequality and poverty (whether by race, gender, or across nations) and why? How are your choices more effective than other proposals that have been advanced? Choose at least two policies proposed in the required and recommended readings to focus your discussion on. Analyze both your own and various authors’ assessment of their virtues and limitations.